

City of Milpitas

HOUSING ELEMENT

Adopted by the Planning Commission on December 7, 1994
and the City Council on December 20, 1994



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STATE OF TEXAS

IN SENATE, FEBRUARY 1, 1907.

REPORT
OF THE
COMMISSIONER OF THE
GENERAL LAND OFFICE,
IN RESPONSE TO A
RESOLUTION PASSED BY
THE SENATE, JANUARY 1, 1907,
RELATIVE TO THE
LANDS BELONGING TO THE
STATE OF TEXAS.

SECTION 1

SUMMARY

The City of Milpitas Housing Element is prepared in conformance with California Government Code sections 65580-89 and contains the following subject areas:

- 1) The evaluation of local housing needs and an analysis of constraints affecting the ability to the marketplace to meet these needs.
- 2) The identification of community housing goals, objectives and policies.
- 3) An evaluation of the community's performance in achieving the goals established for the past five year period.
- 4) The description of a new five year housing program to meet the identified housing needs and goals.

Area-Wide Housing Context

Santa Clara County has suffered from acute housing problems the last two decades. Between 1970 & 1980, the purchase price of a new home increased fourfold. Since 1980, new home prices have reached new highs, growing 55 percent by 1988. Indications are that escalating sales prices may have slowed down after a 21.5 percent increase during the first eight months of 1989.

Santa Clara County is experiencing a demand for housing units that is greater than the current housing stock and increase in housing supply. This demand for housing is due to:

- 1) High employment growth resulting in more jobs than housing for the workers,
- 2) Demographic changes marked by an increase in the number of people in their thirties and forties and declining household size,
- 3) Speculation by investors hoping to reap a quick profit,
- 4) Lending practices especially adapted to present day high prices and interest rates,
- 5) A construction rate sensitive to interest rates and land availability and
- 6) Population growth through immigration.

New home costs have not only been dramatically influenced by growing consumer demand but also by limited development sites and rising costs for building materials, labor and financing. Not surprisingly, as home values increase the ability to afford a home has decreased. Incomes have not kept pace with home prices so a wide gap between the two has developed.

The number of households who can afford to buy and maintain a home has grown smaller each year. Those lower income households who spend as much as 33 percent

or more of their income to pay for shelter do so by cutting corners for necessities elsewhere in their budget (i.e., food, transportation, medical care, etc.). Higher income households can typically exceed the 33 percent guideline without straining their ability to pay for other essentials.

A household's purchase of a first home is a formidable task. They may be able to afford the monthly payments, but lack the large down payment necessary with current home prices (i.e., a \$41,280 20 percent down payment for a \$206,400 median priced home in 1988). A variety of creative financing techniques have developed to help consumers purchase a home (e.g., shared equity arrangements and adjustable rate mortgages). Trends indicate that future homeowners may be only the affluent or those who bought a home prior to 1980.

As owning a home becomes more unaffordable the demand for rental housing has increased. A low apartment construction rate (except for the years 1985 and 1986) has contributed to continued low vacancy rates and increasing rents. Families, particularly those headed by a single, female, seniors and the disabled, are especially affected by difficulties in locating affordable rental housing.

Community Profile

In January 1989, Milpitas ranked sixth in population in the County with 46,435 residents. Regional studies (ABAG, 1989) project that Milpitas will grow by another 6,765 residents to 53,200 in 1995. In 1980 Milpitas had the youngest population in the County with a median age of 26.34 and the largest average household size in 1989 with 3.18 persons per household.

A racially and ethnically diverse populace resides in Milpitas. It is estimated that Milpitas' minority population of 44 percent is larger than the County's 37 percent. According to the 1980 census, the median income for the City was estimated to be slightly above the County median income. According to ABAG (Projections 1990) employment opportunities will have grown by 136 percent from 1980 to 1990 and will continue to rise another 49 percent to 56,240 jobs by the year 2000.

Milpitas is a predominantly single family community. In 1989 70 percent of the 14,360 dwelling units were single family homes, 26 percent multi-family and 4 percent mobile homes. Residential densities on the valley floor range from 3 to 40 dwelling units per acre. Milpitas' housing stock is relatively young with 64 percent of all homes less than 20 years old. Owner-occupied homes have and continue to be less expensive than the rest of the County. Out of 23 zones in Santa Clara County in 1988, Milpitas ranked seventeenth in median housing values.

As with the rest of the County, though, the Milpitas housing market has been marked by multiple soaring price increases. During 1988 and the first nine months of 1989, existing home prices rose 29 percent and 30 percent, respectively. Rents, too, have increased, though not as dramatically: between 1980 and 1989 median rents for a two bedroom

apartment more than doubled. In contrast to owner-occupied home purchase prices, rents in Milpitas are typically higher than the County average.

Development of housing in the hillside, limited by environmental factors and scenic concerns, will not significantly contribute to Milpitas' housing stock. At buildout about 800 units can be expected in the hillside.

Housing Need

The City has identified approximately 275 dwelling units that are in substandard condition and in need of rehabilitation. About half of the units are estimated to be occupied by lower income households. In 1980 it was determined that 16 percent of owners and 31 percent of renters paid more than 35 percent of their income for housing.

The Housing Assistance Plan for 1988-91 has identified seniors, disabled, renting families and racial and ethnic minorities as special needs in Milpitas. The Association of Bay Area Governments (ABAG), in accordance with State law, estimated Milpitas' fair share of the regional housing need as follows:

MILPITAS FAIR SHARE OF REGIONAL HOUSING NEED

EXISTING NEED* 1988	PROJECTED NEED* 1988-1995	PROJECTED NEED* WITH ALTERNATIVE ZONING 1988-1995
55	2,000	5,638

NEEDED		
SINGLE FAMILY UNITS	MULTI-FAMILY UNITS	MOBILE HOME UNITS
4,341	1,128	169

NEEDED OWNER OCCUPIED UNITS	NEEDED RENTER OCCUPIED UNITS
4,059	1,579

PROJECTED HOUSING NEED BY INCOME CATEGORY			
VERY LOW	LOW	MODERATE	ABOVE MODERATE
958	846	1,240	2,594
17%	15%	22%	46%

**Need": Net addition to available stock. Projected Need includes existing need.

**Household Income categories are based on percentage in relation to regional median income:

Very Low Income: up to 50% of the regional median income

Low Income: between 51 and 80%

Moderate Income: between 81 and 120%

Above Moderate Income: 121% and above

Source: Association of Bay Area Governments, Housing Needs Determinations, January 1989

In reporting the region's housing need, ABAG stated that "Local housing elements, and local programs adopted by local governments, are not required to "meet" the identified housing need. But State law does require a sustained and serious attempt to address housing needs." In addition, State legislation governing the content of the Housing Element indicates that the total housing need identified by the community, including the City's share of the regional housing need, may exceed the locality's available resources and abilities within the context of the General Plan. In such a case, State law notes that quantified goals do not have to match the identified housing needs.¹ However, the City must determine the housing that can be realistically met over a five-year period. The Milpitas housing programs, with quantified goals, intended to meet local housing needs, are discussed in the final section "Housing Program Implementation," of the Housing Element.

No counts of homeless persons in Milpitas are available nor are there any known areas or facilities where the homeless congregate or seek shelter on a regular basis. However, the Milpitas Housing Service Center estimates that it will usually assist one to two individuals or families each week--especially during the cold weather season (September to March)--with locating short or long term shelter. Approximately half of these requests for assistance come from single mothers, generally with younger children. Ten to fifteen percent of the requests are also from families with two adults and the remainder from adults.

There are no emergency shelters in town though the Housing Service Center will assist by referring individuals to other service agencies. Some agencies are private local churches who may coordinate reduced rates at local motels or assist in other ways. Public agencies and facilities, such as the Fair Housing Consortium and the Emergency Housing Consortium, are located outside Milpitas but have received, and will continue to receive, funding from the Urban County of which Milpitas is a member. (Also refer to Section 9 "Housing Program Implementation" for more detail regarding the Urban County).

¹ Government Code Section 65583 (b)

In 1987, a transitional housing facility for women suffering from abusive spouses, was established in Milpitas by Community Housing Developers, a nonprofit housing corporation. With 19 apartments, approximately 38 families have received long term shelter and assistance under the WATCH program (Women and Their Children Housing).

The Sunnyhills Apartments at 1724 Sunnyhills Dr., were built under the Federal Section 236 program and currently provide 171 dwelling units for lower income residents. In August 1988 the Section 8 Housing Assistance Payments Program contract was renewed with the U.S. Dept of Housing and Urban Development for a five year period. The contract will expire in July 1993.

Governmental Constraints

However, most (if not all) existing governmental constraints are valid responses to public concerns, such as:

- a) Furthering community planning objectives, such as the allocation of appropriate densities, preservation of environmental quality or provision of adequate recreational or public facilities.
- b) Providing time for adequate staff review and analysis and for public comment on proposed developments.
- c) Conforming with State law regulating planning and environmental review procedures.
- d) Budgeting/financial concerns which affect staffing levels or may through review and processing of permits.

It should also be noted that even if an agency were to effectively eliminate those regulations and procedures that act to constrain the development of housing opportunities, this would not necessarily result in the provision of more affordable housing.

The City of Milpitas has been a leader among South Bay communities in providing housing affordable to all segments of the population. This suggests that Milpitas has, through its development controls and approval processes, minimal governmental barriers to the provision of wider housing choice. Measures Milpitas has taken to reduce constraints include: 1) increasing the maximum allowable density from 20 to 40 dwelling units per gross acre, 2) promoting the planned unit development process to allow flexibility in project design, 3) providing consistency between the General Plan and Zoning Ordinance and 4) providing a streamlined application process.

Governmental constraints to increasing the supply of affordable housing do exist in Milpitas. While not all can be eliminated by City action (such as the delays required by State law for environmental review and public notice of hearings), many could be mitigated. However, as noted above, invariably the elimination of any constraining regulation or procedure will have "costs" (financial or otherwise) associated with it. Often those costs may be of more significance to a community than the indirect benefit of removing a (perhaps minor) barrier to affordable housing. The most significant governmental constraints existing in Milpitas are 1) maximum density of 40 dwelling units

per acre, 2) development review process to insure quality project design and meet state requirements and insure safe construction, 3) water and sewer limitations that the City will be increasing soon, 4) park fees to provide open space for City residents and 5) regional traffic congestion.

Housing Concerns and Goals

The City of Milpitas during its early and middle development phases (mid-1950's through the early 1970s) was a leader among the south bay area communities in providing housing, both assisted and unassisted, that was affordable to low- and moderate-income households. In accordance with the family-oriented character that has been established

The City is presently entering into its last residential growth stage: that of infilling large and small areas encircled by existing developments. In this mature phase, Milpitas will be experiencing an increase in the proportion and number of medium and high density units, thus increasing the supply of housing types generally utilized by lower income households. In conjunction with the arrival of this final major growth phase, the City is also facing serious traffic congestion problems and is attempting to provide a balance of residential, commercial and industrial development. Therefore, efforts to address local and area-wide housing problems must be designed to work with rather than against these other major concerns.

The following goals, reinforced by appropriate policies and actions, have adopted by the City:

- Goal 1: To encourage the provision of decent and affordable housing for all persons, regardless of age or ethnic background, sex, marital status, or other arbitrary factors.
- Goal 2: To encourage the provision of a variety of individual choice in housing type and location.
- Goal 3: To establish, maintain and enhance the character, quality and livability of residential areas.
- Goal 4: To insure that future residential development enhances the overall character of the community.

Housing Program Evaluation

In accordance with State law, the 1984 Housing Element update established a five year housing program. In regard to ABAG's fair share estimate the City:

- 1) Met 97% of the 3,972 unit goal for total new homes constructed.
- 2) With a limited land supply and a seemingly insatiable market demand for larger single family homes, the goals for providing housing affordable to Very Low and Low income households could not be met. However, the City did provide 150 new rental units for lower and moderate income seniors with redevelopment funds.

The use of Federal Community Development Block Grant (CDBG) funds far exceed the predicted goals for rental rehab due to the activity of a private housing corporation (predicted four units but assisted 31 units). Though the housing rehab program for owner occupied properties only achieved 50 percent of its predicted performance, it did address a special need. Sixteen of the program's clients (or 64%) were single women heads of households.

The use of 20 percent set aside funds derived from the Redevelopment Agency exceeded the program goals (except for rehab) by providing 150 units of senior housing and for other major projects related to neighborhood preservation. Between 1985 and 1989 it is estimated that approximately 90 low and moderate homebuyers received mortgage financing assistance for new dwelling units in Milpitas. Use of mortgage revenue bonds was dependent on changing enabling legislation and residential projects eligible and willing to participate in the program. The Community Assistance Program and Housing Service Center continued to be directly and indirectly funded by the City to provide code enforcement and housing related services.

Housing Program Implementation

Without factoring in "alternative" (consideration of potential increased residential development under alternative zoning ordinance and land use restrictions, Milpitas projects that it will provide 99 percent of the 3,709 new units ABAG predicts is needed by 1995. Under the "alternative zoning" scenario, Milpitas would provide 65 percent of the 5,638 new dwelling units needed by 1995. Potential land use changes to help improve Milpitas' achievement of the "alternative zoning" scenario involve consideration of the appropriateness of various potential sites (e.g., the 400 acre McCarthy Ranch at the northwest quadrant of SR-237 and I-880). Because of the existing high-priced housing market and the lack of funds available to public agencies, the City will not meet ABAG's predicted need for lower income housing (23% of Very Low and 72% of Low). However, it will exceed, by 32% and 21%, the goals for Moderate and Above Moderate income housing.

Factors affecting Milpitas' achieving 100% of the regionally determined housing needs under the alternative zoning scenario include:

- The lack of available and affordable land for residential development.
- An unpredictable economy and housing market.
- Neighborhood concerns and opposition to new projects.
- Restrictions on property development (i.e., Williamson Act).
- Environmental conditions that would make the site unsuitable, or too expensive to develop, for residential or for housing affordable to lower income households.
- Restrictions related to and depending on available Federal and State programs and funding.

Through CDBG funding the City will continue to operate its housing rehab program and provide assistance to 35 low and moderate income households in the next five years. As

a member of the Urban County, Milpitas participates in funding other programs related to the provision of housing. The amount and distribution of funding to these projects is dependent on Block Grant resources, individual program performance and future application submittals.

The City will continue to encourage housing developers to use mortgage revenue bonds whenever feasible. It is anticipated that the Housing Service Center will continue its present mode of operation and receive direct and indirect funding for its services from the City through 1995. Redevelopment Fund obligations exceed the required 20 percent low and moderate income housing set aside. It is anticipated that existing programs will use the 20 percent obligation and that no unused funds will be available for new programs for the next five years. Other existing programs, legislation and policies that are funded by Milpitas or provide on-going regulatory concessions or incentive to assist in the development of low and moderate income housing include:

- 1) Community Assistance Program,
- 2) Condominium conversion ordinance,
- 3) Accessory unit and manufactured housing regulations,
- 4) R1-2.5 zoning district,
- 5) mortgage credit certificates and
- 6) mobile home park conversion ordinance.

Following is a matrix clarifying the major activity areas under Milpitas' five year housing program (1990-1995):

FIVE YEAR HOUSING PROGRAM SCHEDULE

Program	Time Frame	Funding	Responsible Agency
1. Housing Rehabilitation	Ongoing	CDBG	City
2. Rental Rehabilitation	Ongoing	CDBG	City & Urban County
3. Moderate Rental Rehabilitation	Ongoing	Housing Authority	City & Housing Authority
4. Mortgage Revenue Bonds	Ongoing	Bond Issue	City & Applicant
5. Mortgage Credit Certificates	Ongoing	Federal Income Tax Credits	City & Urban County
6. Milpitas Housing Service Center	Ongoing	CDBG & General Fund	City & Urban County

7. Various housing related agencies	Ongoing	CDBG	Urban County
8. Housing Weatherization	Ongoing	Partial CDBG	CHEC*
9. Community Assistance Program	Ongoing	General Fund	City
10. Self-Help Project	Late 1991 start	CDBG, County, State assistance & private foundations	First San Jose Housing, City of Milpitas, Santa Clara County
11. Second Unit Ordinance Review	Mid-1991	Not Applicable	City
12 Inclusionary Zoning	Mid-1991	Not Applicable	City
13. Assisted Housing At Risk Evaluation	Late 1991	Not Applicable	City

*Citizens Home Energy Conservation program

SECTION 2

AUTHORITY AND SCOPE

GENERAL

The powers and duties of California local governments with respect to housing are defined by both state and federal law.

State law declares the early attainment of a decent home and a satisfying environment for every Californian to be a priority of the highest order. It further requires each City to develop a Housing Element as part of its General Plan which should make "adequate provision for the housing needs of all economic segments of the community."

The United States Housing and Community Development Act of 1974, similarly, gives local governments a central role in assessing community housing needs and in determining how federal community development funds should be spent.

In addition, the California Community Redevelopment and Housing Law requires Redevelopment Agencies to use at least 20 percent of all tax increment revenues for increasing and improving the City's supply of low and moderate income housing.

Beyond these responsibilities, California cities and counties have broad policy-making and enforcement powers which enable them to encourage development of various types of housing and to regulate community growth. State law further provides that local governments may not discriminate against housing intended for low-income persons.

HOUSING ELEMENT AUTHORITY

Housing Elements must be prepared in conformance with California Government Code Sections 65580-89 which requires that the Housing Element contain the following subject areas:

- 1) The evaluation of local housing needs, including a locality's share of the regional housing need, and an analysis of constraints affecting the ability to the marketplace to meet these needs.
- 2) The identification of community housing goals, objectives and policies.
- 3) An evaluation of the community's performance in achieving the goals established for the plan's five year period.
- 4) The description of a five-year housing program to meet the identified housing needs and goals.

California Government Code Section 65588 requires that all Housing Elements be revised not less than every five years. It further specifies that local governments in the Bay area must complete their current revision by July 1, 1990.

BACKGROUND

The previous Housing Element, revised in 1984, provided a thorough analysis of the regional housing market and its impact on housing in Milpitas. The local housing need was identified and goals, with policies and action statements, were established to address this need and the desires of the community. The housing programs delineated to meet the local need were implemented to the extent possible with quantifiable results outlined in Section 8, "Housing Program Evaluation".

The present revision of the Housing Element updates the discussions on constraints to residential development, demographics, land use and housing need. A detailed description of Milpitas housing programs and activities is also included. The original adoption and later revisions of the Housing Element were made with public participation at public hearings and workshops. The remainder of the General Plan will be undergoing an update in the near future and will be evaluated at that time for consistency with the Housing Element.

PUBLIC PARTICIPATION

Public participation on the 1990 update of the Housing Element was achieved through:

- *Review and comment by the Citizen's Advisory Commission (an advisory body to the City Council which oversees the City's Community Development Block Grant program).*
- *Circulation of the draft 1990 update to outside housing interest groups such as the Bay Area Council, the Housing Service Center, the Building Industry Association and Community Housing Developers (a nonprofit housing development corporation).*
- *Notices regarding public meetings and hearings before the Planning Commission and City Council on the 1990 draft were advertised in the local newspaper, the Milpitas Post, and posted at public locations including the Library, Senior Center and the Community Center. The meetings were held on February 14, and 20, 1990, April 25, 1990 and May 15, 1990. A copy of the draft 1990 update was available for public review at the Milpitas Library and at City Hall and was also provided upon request.*
- *City of Milpitas representative to the County of Santa Clara Citizens Advisory Committee (Housing and Community Development)*
- *City of Milpitas City Council liaison to the County of Santa Clara Citizens Advisory Committee (Housing and Community Development)*

ORGANIZATION

The Housing Element is organized into nine subject areas. The first section summarizes the Element and is followed by the present Section with a discussion of "Authority and Scope". Section three will provide a background description of the housing market nationally and regionally to set the stage for considering the Milpitas housing situation. The "Area-Wide Housing Context" will describe the existing housing market (non-governmental constraints) and how these factors impact housing in Milpitas. The fourth section of the Element will present a "Community Profile" describing existing and projected demographic and land use characteristics of Milpitas. "Housing Need" will be discussed in the following section and will identify the needs of special population groups and the anticipated housing needs of the community by 1995. Section Six "Governmental Constraints" will present constraints to developing more affordable housing that are and are not existing in the City of Milpitas. The seventh section, "Housing Concerns and Goals" will establish housing goals based on identified community housing needs. Policies and actions to guide and aid in the implementation of the goals will also be presented. Lastly, the final two sections regarding Housing Programs, will describe the City's accomplishments in implementing the projects and programs established in 1984. Section 9 will also establish a new five year program designed to meet the projected housing need and established housing goals for the City.

SECTION 3

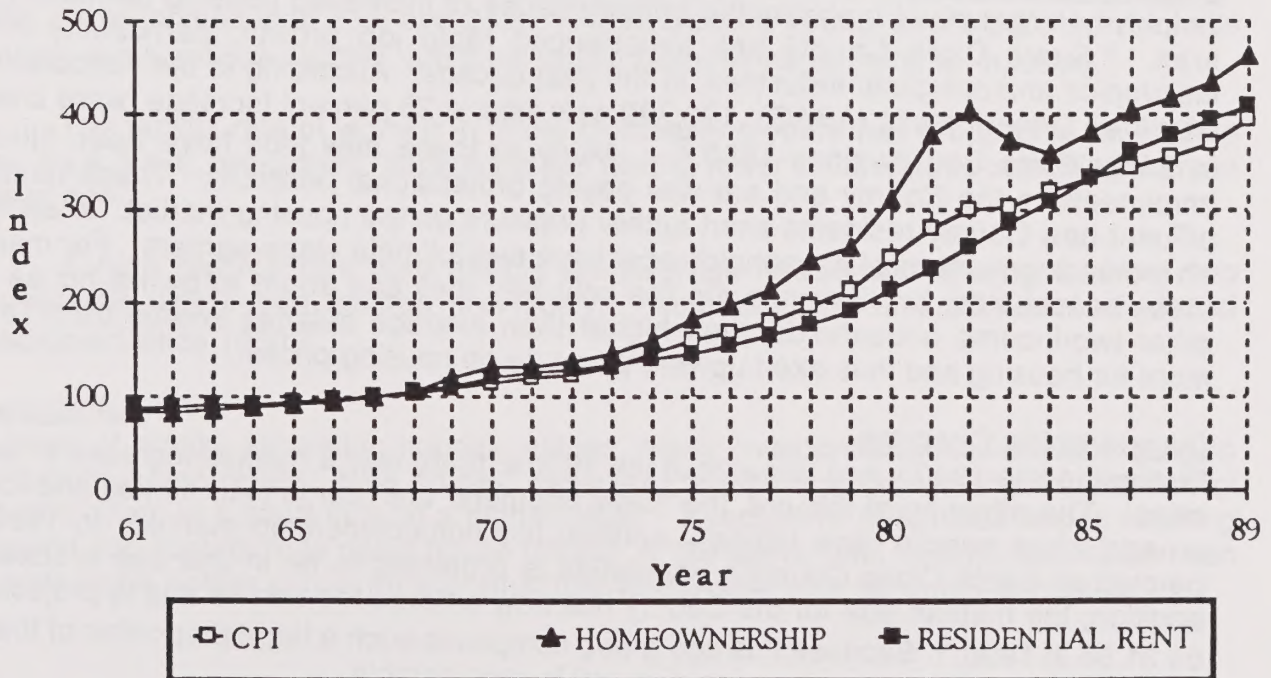
AREA-WIDE HOUSING CONTEXT

INTRODUCTION

The San Francisco Bay Area in recent years has experienced a surge in the demand and cost of housing. Figure 1 illustrates the dramatic rise of the Consumer Price Index (CPI) for homeownership and residential rents (as well as the overall index for all items) in the Bay Area since 1960.

FIGURE 1

CONSUMER PRICE INDEX CHANGES, 1960-1989 SAN FRANCISCO-SAN JOSE SMSA



SOURCE: Bureau of Labor Statistics

Within the Bay Area, Santa Clara County has suffered from acute housing problems the last two decades. Between 1970 & 1980, the purchase price of a new home in Santa

Clara County increased fourfold. Since 1980, new home prices have reached new highs, growing 117 percent by 1989. Indications are that escalating sales prices may have slowed down though they rose 41 during 1989. In fact, the median price has dropped during the months of September and October 1989, by 5.2 percent.² Though experts disagree regarding the cause of the drop (i.e. October 17 earthquake, slower job growth or fewer higher priced homes being sold) it is not likely that Santa Clara County will experience the large price increases experienced in the last two years in the near future.

The conditions and circumstances that have affected or are presently influencing the regional and county-wide housing markets also affect, to greater or lesser degrees, the Milpitas housing situation. This section of the Housing Element will describe these contributing factors and discuss their affect and eventual consequences on the regional and local housing markets.

HOUSING DEMAND

Most of Santa Clara County is experiencing a demand for housing units that is greater than the current housing stock. Furthermore, it appears that this demand will be growing faster than the increase in housing supply. This demand for housing is directly related to employment growth, demographic changes, housing speculation, lending practices and lower construction rates. The demand for housing is also indirectly related to immigration both nationally and regionally.

Employment Growth

Employment growth is probably the primary cause of increased housing demand in the area. Santa Clara County has experienced rapid job growth, particularly in the electronics and computer industries, in the past decade. According to the Association of Bay Area Governments (ABAG), 178,790 new jobs, a 25 percent increase, were created in Santa Clara County since 1980.³ Many of these new jobs have been filled by immigrants to the County and are well paying professional positions. These relatively affluent new County residents exert further pressure on the housing market. In addition, an increasing number of households now have two full-time wage-earners. For many of these households, two-incomes are the only way they can afford to own a house. For other two-income households, their higher than average salaries enable them to pay more for housing and thus exert upward pressure on housing prices.

Demographic Changes

During the late 1940's and throughout the 1950's, there was a marked increase in fertility rates. The offspring of this era, the "baby boomers" are now in their thirties and forties, an age when people have typically entered the homeownership market. In 1990, 31 percent of Santa Clara County's population is projected to be in this age bracket. In addition, the median age for the County has now entered the thirties and is projected to be 31.85 in 1990.⁴ Because this age group comprises such a large proportion of the total population, its influence on housing demand is considerable.

² "Home Prices Continue to Slide", San Jose Mercury News, November 2, 1989, page 1A.

³ ABAG, Projections '90, December 1989, p. 218 and 235.

⁴ ABAG, Projections '90, December 1989, p. 200.

In addition, declining household size has also added to the demand for housing by creating more and smaller households from the same size population. County wide, in 1960, there was an average of 3.36 people per household. However, by 1980, the average household had shrunk to only 2.76 persons. That household size is not anticipated to change much when the results of the 1990 census are calculated. The most recent estimate for the average household size in Santa Clara County was 2.73 as of January 1, 1989.⁵

Though smaller households would obviously create the need for more housing for the same size population, it also has an opposite effect. The difficulties of finding and affording shelter encourages households to share housing; more families or individuals are living together out of economic necessity or due to cultural lifestyles (or both).

Several factors contribute to declining household size:

- 1) As previously mentioned, the population in general is aging and it is expected that this trend will continue for at least the next several decades. Older households are generally smaller thereby reducing the average household size throughout the County. In addition, people who settled in the County during the 1950's and 60's and raised their families are now residing in the same home that used to be occupied by a larger family.
- 2) In recent years, young adults have been staying single longer. The typical age at first marriage in 1955 was 20.2 and 22.6 years for men and women, respectively. In 1988, it had increased to 23.6 and 25.9. These typically young, single people, who have minimal family responsibilities, are a influential factor in the demand for housing.⁶
- 3) The fertility rate of women in prime childbearing years has dropped to an all-time low. As a result, two-parent households are having fewer children, or postponing them to a later age.
- 4) A high divorce rate also affects the average household size by creating two households where one existed previously. Nationally, the divorce rate has almost quadrupled since 1960.⁷

Speculation

At times of rapidly escalating housing values, many investors buy real estate hoping to profit from a high return. New homes, especially, are purchased with the expectation of reselling them in a short time at a higher price. Speculative purchases add to housing demand and contribute to rising house prices. At the same time, though, speculation can provide some homes in the rental market that would otherwise be owner-occupied.

⁵ State Department of Finance, Santa Clara County Population and Housing Estimates, January 1, 1989.

⁶ "Census Shows Radical Changes In Family, San Jose Mercury News, September 5, 1989.

⁷ Ibid.

Lending Practices

In the 1970's and 80's, house prices escalated more rapidly than either household income and the overall cost of living. Not surprisingly, lending institutions have created special financing tools (i.e. adjustable rate mortgages) and arrangements (i.e. shared equity) to encourage homeownership. Requirements for loan approval were also loosened allowing some clients to spend up to 38 percent of their gross monthly income on housing.

Construction Rate

Housing construction has always been sensitive to the national economy. Even during periods of high consumer demand, housing construction rates can remain sluggish if interest rates are high. The "carrying costs" of land can make new residential projects financially infeasible. Recently, however, residential construction has increased as the economy has improved and more money has become available for construction loans and mortgages.

Another factor that has influenced housing construction rates recently, and will continue to have an even greater affect in the next few years, is the amount of land available for residential development. Prime residential land is limited by local governmental land use decisions, thereby limiting the number of new housing units that can be produced.

In addition, primarily due to the effects of Proposition 13 on local government financing, communities have become increasingly concerned about their financial ability to provide municipal services. Not surprisingly, they are often unwilling to allow additional residential development in outlying areas that may require the extension of existing City services. In those cases where housing projects do require the extension of existing City services and facilities, their initial costs are usually borne by the new dwelling units resulting in an increased purchase price.

Lastly, when housing has been constructed on the choice and most easily developed land within a community the remaining parcels designated for residential use may be more time consuming and expensive for a developer to use. The development of infill parcels can be complicated by difficulties in land acquisition (sometimes requiring that several different parcels be obtained), "problem" characteristics related to topography, shape or size, or public concerns usually generated by owners or occupants of adjacent and already developed property.

While the national economy and land availability affects the construction rate of all types of residential development, the rental construction rate is complicated by additional factors. For instance, the development of apartments is affected by higher interest rates and more stringent financing terms than that required for single-family project construction loans. Also, the building industry claims that acceptable market rents have not increased high enough to cover the costs of constructing a new apartment complex. Lastly, prospective landlords claim that the ever present possibility of rent control in many communities contributes to the risk associated with apartment investment.

MARKET & INCOME TRENDS

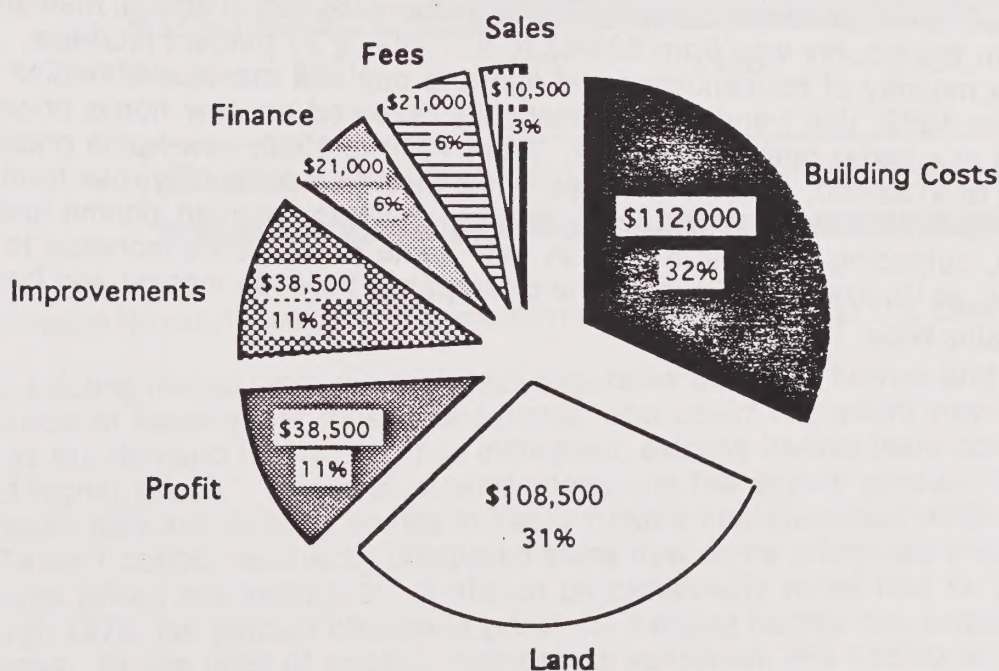
New Home Costs

The rapid escalation of housing prices that has occurred in the County during the last two decades has been the result of strong local demand, coupled with a reduction in available residential land and insufficient new residential construction. In addition, rising home prices have been fueled by increases in the cost of building materials, labor, finance and profits which have been major contributors to the overall nationwide increase in housing costs. Figure 2 estimates the existing cost breakdown of constructing a single-family house in Santa Clara County:

FIGURE 2

Cost of Building a New Single Family Home in 1989

Sales Price: \$350,000



• Building costs: Materials and labor • Land: Purchase price of undeveloped land • Profit: Profit from sale of the new house • Improvements: Sidewalks, streets, water lines, etc. • Finance: Cost of borrowing money to purchase land and build housing • Fees: Charges levied by local jurisdictions • Sales: Model-home costs, advertising, sales people SOURCE: Building Industry Association

In addition, interest rates on conventional home purchase loans have experienced a gradual increase in past years and significantly affected the affordability of new homes. In early 1972, the lowest rate generally available on a 30-year, 80% mortgage was 7%.

By July 1981, however, loan rates had hit an all time high of 17%. Slowly the rates eased down until 1986 when they were in the 10 percent range. Interest rates have continued to fluctuate between 9.25 and 11.00 percent.⁸

Credit-worthy buyers of residential property and buildings have always been able to obtain mortgage financing in Milpitas. Based on conversations with a local major bank, there are no mortgage-deficient ("red-lined") residential areas where brokers or banks will not lend within Milpitas, nor are any areas singled-out for more careful review or required to pay higher-than-standard rates.⁹

Higher interest rates affect home costs in two significant ways. First, higher rates add to construction costs, since home builders and contractors must borrow money in order to finance construction. Second, higher interest rates can dramatically increase a buyer's monthly payments and ability to afford to buy a home.

Homeownership Affordability

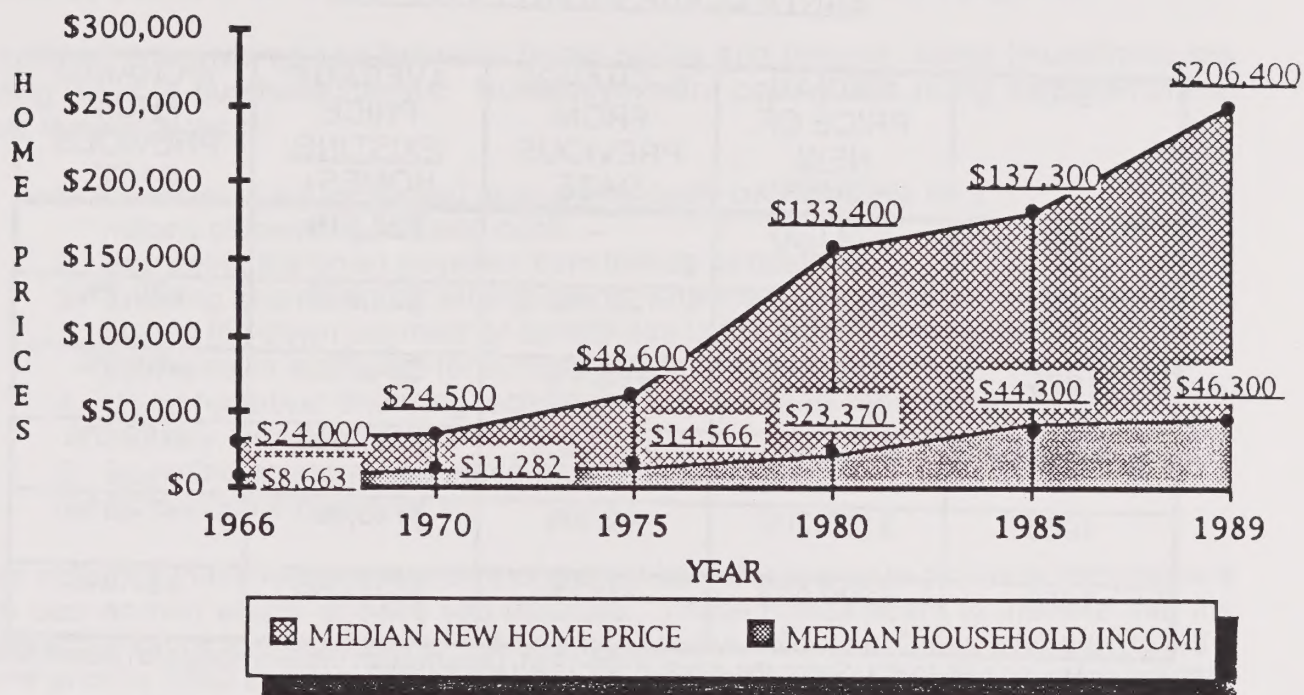
Between 1966 and 1970, the cost of a median priced new home increased from \$24,000 to \$24,500, a two percent increase. The corresponding rise in annual median household income in the County was from \$8,663 to \$11,282, a 30 percent increase. During this period, a majority of households could afford to buy and maintain a median priced new home. In 1972, this trend was dramatically reversed as new home prices began to increase at a faster rate than income. From 1970 to 1980, new home prices rose from \$24,500 to \$133,400, a 444% increase, while median income only rose from \$11,282 to \$23,370, a 106% increase. Between 1980 and 1989, the median income rose by 98% to \$46,300, outpacing the rise in median new home prices (55% increase to \$206,400). However, as illustrated in Figure 3, the discrepancy between income and housing prices still remains wide.¹⁰

⁸ Bradley Inman, "A Capsule View of Major Housing Events", San Jose Mercury News, December 9, 1989, p. 5D.

⁹ *Telephone conversations with, and statements on Community Reinvestment Act, for First Interstate Bank, Milpitas.*

¹⁰ Harrington Housing Research Co. (years 1966-1980), Construction Industry Research Board, "Characteristics of New Homes Sold", February, 1989, p. 8.

FIGURE 3
MEDIAN NEW HOME PRICES AND MEDIAN INCOME
SANTA CLARA COUNTY, 1966-1989



SOURCE: Harrington Housing Research Co., Construction Industry Research Board, U.S. Census, ABAG

In the past, existing homes were relatively less expensive than new homes and therefore were a source of housing for those households who could not afford new housing. However, as the demand for housing has increased, existing homes have commanded higher and higher prices. This is illustrated comparing the annual percent change in prices between new and existing homes in Table 1 (Note that the actual dollar amounts shown in Table 1 cannot be directly compared since new home prices are medians and existing home prices are averages). It should be particularly noted that for the years 1975 through 1979, the percent change in prices for existing homes has surpassed that of new homes. As the price of existing homes has escalated, this traditional source of lower cost housing affordable to households with moderate means is disappearing.

TABLE 1

PRICES OF NEW AND EXISTING HOMES
SANTA CLARA COUNTY 1966-1988

YEAR	MEDIAN PRICE OF NEW HOMES*	% CHANGE FROM PREVIOUS DATE	AVERAGE PRICE EXISTING HOMES+	% CHANGE FROM PREVIOUS DATE
1966	\$24,000	--	\$22,910	--
1970	\$24,500	+2.1%	\$27,650	+20.7%
1975	\$48,600	+98.4%	\$44,760	+61.9%
1980	\$133,400	+174.5%	\$121,980	+172.5%
1985	\$137,300	+2.9%	\$143,067	+17.3%
1989	\$290,000	+111%	\$239,345	+67.3%

*Harrington Housing Research Company, years 1966-1980, Construction Industry Research Board, San Jose Real Estate Board.

As previously mentioned, lending institutions have traditionally used 25 percent of a household's gross monthly income as a guideline for assessing affordability of housing costs. As the cost of housing in the County has spiraled, it has become necessary for households to spend as much as 33 percent or more of their income to pay for shelter.

Middle and upper income households who exceed the 33% limit may do so as a matter of choice. For these households, overpaying is not an acute problem. However, lower income households spending 33% of gross income for shelter costs may be straining their ability to pay for other essentials. The 33% percent figure for housing is based on gross earnings and after deducting at least an additional 10 to 25 percent for withholding of taxes, a worker may have little left for food, clothing, transportation and medical care.

As home prices in the County have soared, so has the amount of the down payment required to purchase them. Not only is a household faced with monthly payments of \$2,409 for a \$290,000 new home (1989 County median price with a 10% fixed rate 30 year mortgage, including hazard insurance and property taxes), but it must initially come up with a \$58,000 down payment (20% on conventional mortgage). In addition, a family can expect to pay an estimated 2% or 3% of the sales price for closing costs; on a \$290,000 home, this would be approximately \$5,800 to \$8,700. On top of all this may be

homeowners' association dues.¹¹ Some may be able to afford to make the monthly payments involved in homeownership but because they lack the large down payment, they are forced out of the market. This is particularly true for families who have not previously owned a home and thus have no equity built up for a down payment.

In spite of the growing gap between home prices and income, some households are finding ways to purchase homes. Homebuyers are coping with rising homeownership costs in several ways:

1. Leveraging equity earned from a previously owned home as a means of lowering housing costs.
2. Borrowing the down payment from friends or relatives.
3. Entering shared-equity arrangements where another investor makes the down payment or contributes to the monthly mortgage payments in exchange for a share of future equity.
4. Using "creative" financing techniques to temporarily reduce the monthly mortgage payment.
5. Spending an increased percent of income for shelter.
6. Multi-income households

Data indicates that a large percentage of current homebuyers were previous homeowners with past-earned equity or have two incomes. These trends seem to indicate that the prospect of future homeownership will be limited to the affluent or those who purchased a home prior to 1980 and thereby capitalized on the rapidly increasing home values during that period. Should these trends continue in Santa Clara County, we can expect to see a two-tiered housing market. Homeownership will be limited to those with extremely high incomes or those who already own their own homes. Most other households will be forced to either live in rental housing or spend a very large proportion of their income for housing, if they are to remain in Santa Clara County.

Benefits of Homeownership

If the prospects of owning a home are limited to a small proportion of County residents, a great many County residents will not be able to realize its financial advantages. One of the strongest financial incentives to owning a home is the income tax deduction given on mortgage interest and property taxes paid by a home buyer. These deductions effectively reduce monthly shelter cost payments by a percentage based upon the tax bracket of the homebuyer.

Another advantage of owning a home is its historical role as an investment. For many households, homeownership is the only (or most significant) form of investment they can make. By excluding the prospect of homeownership from many households, one important source of long term financial security is eliminated.

¹¹ Building Industry Association, "How To Calculate Your Home-Buying Power", San Jose Mercury News, September 17, 1989, p. 4H.

Rental Market

As the price of housing has increased, making the prospect of homeownership an elusive one for an increasing number of households, the demand for rental units has grown. This demand, coupled with a low apartment construction rate and an increasing population base, forces the apartment vacancy rate down and rents up.

However, in 1985 and 1986 a mini-boom of apartment construction occurred in the Bay area. Over 24,000 units were built each year. With an encouraging increase in the supply of apartments, rents stayed relatively stable and vacancy rates increased slightly. However, in 1987 and 1988 new apartment construction fell dramatically throughout the Bay area with a corresponding dip in vacancy rates.¹²

In the 1980's, the low apartment vacancy rate was also aggravated by the conversion of apartment complexes into condominiums. A large number of apartments in Santa Clara County were sold to specialists who converted them to condominiums and then sold the units to individual owners. Substantial profits were gained from such conversions and local property taxes increased, but the long range impact was to reduce the supply of rental units resulting in even lower vacancy rates.

As vacancy rates dip to less than 4 percent, property owners may respond to the demand by increasing rents. Currently, in San Jose and south Alameda County, rents are increasing at a slow pace. According to the Bay Area Council, the median advertised rent increased from \$675 in October 1988 to \$700 (a 4% rise) a year later. During that same period in south Alameda County (Hayward, San Leandro and Fremont) rents remained stable at \$625 and \$630.¹³ However, with a 15 percent drop in the number of building permits issued in the past year it is probable that rents will soon begin an upward climb.

Though increases in residential rents have been less dramatic than the rise in homeownership costs, there are many Santa Clara County households who rent and pay more than the traditional 25% or more liberal 33% of their gross income for shelter. Again, as in the case of homeowners, the incidence of middle and high income households exceeding the 33% limit is not necessarily an indication of need. However, low income renters paying 33% of income for shelter can do so only by sacrificing other essentials.

Accessibility to Rental Housing

As owners and managers take advantage of the tight rental market to choose the most desirable tenants (from their point of view) from the ever-increasing number of desperate seekers, special groups are finding a smaller percentage of rental housing available to them. Households that have traditionally been in the rental market find they are competing with a larger pool of renters since increasing home purchase costs are forcing many more individuals and families to postpone or give up on buying their own home.

¹² Bay Area Council, "Affordability Declines After Recent Gains", Housing and Development Report, June 1989, p. 3.

¹³ Bay Area Council, "Bay Area Rents Head Up", Housing and Development Report, December 1989, p. 3.

The number of renters with children is growing as the post World War II baby boom generation reaches family formation age. This increase in demand has not been matched by growing supply. The problem in finding rental housing for families can be exacerbated by the reluctance of some property owners to rent to families with children. The California Supreme Court, however, has ruled that discrimination against families with children is unconstitutional.

Seniors, who have retired, also experience hardships in the rental market. Frequently, inflation has eroded their fixed incomes and impoverished them for the first time in their lives. They are unable to compete financially with wage earners and are, therefore, frequently forced out of familiar neighborhoods and surroundings.

Disabled individuals also face special problems. Architectural barriers, such as stairs and narrow doors, limit the number of usable rentals for the physically disabled. The handicapped also need to live near transportation for access to jobs or rehabilitation programs. If an acceptable unit is found, the landlord may be fearful of greater liability, and refuse to rent to a disabled person. Consequently, a handicapped person may be denied his or her right to function independently. State law, however, also prohibits housing discrimination against the disabled. Additionally, recent State law also requires that a number of units, within new multi-family construction, be designed for the disabled.

Lastly, single female head-of-households may encounter difficulty competing for housing. Not only is she a less desirable tenant to a landlord because she may have children but her choice of affordable apartments is limited by her income. On the average, a single male has a higher income than a female counterpart.

SECTION 4

COMMUNITY PROFILE

Before a concern is addressed, its nature, scope and context should be understood. This section will contribute to an understanding of local housing concerns by describing the Milpitas community.

SIZE AND GROWTH

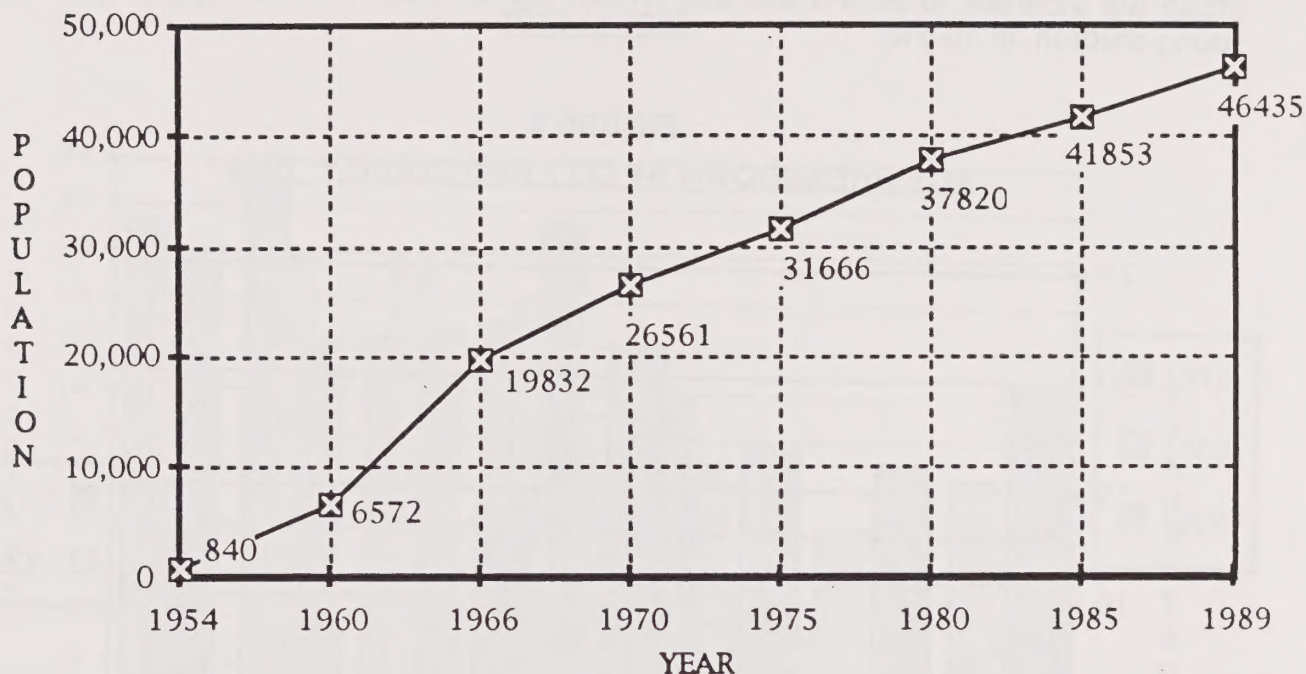
Milpitas is a relatively compact community. Its present incorporated area is about 13.5 square miles and its "sphere-of-influence" (which includes presently incorporated and unincorporated areas that would have to annex to the City in order to obtain urban services) equals about 24 square miles. The majority of urban development is located in the incorporated portions of the valley floor area (all lands west of Piedmont and Evans Road and the northerly extension of North Park Victoria Drive).

The City is medium-sized in terms of population. As of January 1, 1989, there were 46,435 residents. 43,917 individuals reside in 13,802 households with 2,518 individuals in group quarters (primarily in the Elmwood correctional facility). Milpitas ranks sixth in population of the 15 cities in Santa Clara County with 3.2% of the total County population. While growth has slowed down considerably from the levels experienced early in the City's history (see Figure 4), it is still one of the faster-growing cities in the County. Between 1980 and 1989, Milpitas' population grew by 22.8%, while the County's population grew by 11.3%.¹⁴

¹⁴State Department of Finance, Summary Reports, 1980 to 1989

FIGURE 4

MILPITAS POPULATION GROWTH
1954-1989



SOURCE: U.S. Census and State Department of Finance

The lower growth rate for the past nine years reflects the change from a new, small city to a larger, more mature community with fewer developable sites. The slowdown, beginning in the late 1960's, was primarily the consequence of rapid residential growth following the City's incorporation. The growth spurt led to a sewer moratorium in 1970-72 and a residential development restriction related to school overcrowding in 1972-74. The City's growth rate has also been affected by social trends, such as declining household sizes and national economic trends, such as the 1974-75 and 1980-82 recessions.

The Association of Bay Area Governments (ABAG) projects Milpitas' 1995 population to be approximately 53,200 (a projected 40% increase over the 1980 population) or about 16,340 households. After 1995, there remains the potential for an additional 2,400 households or 6,100 residents.¹⁵

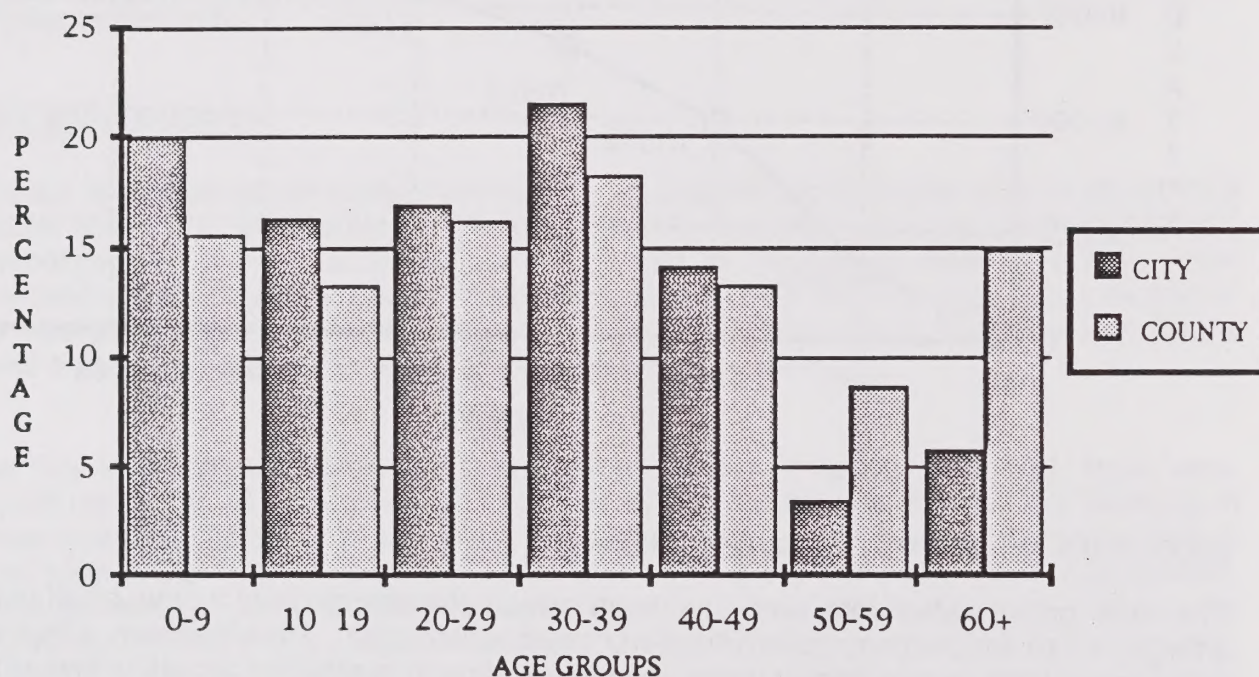
¹⁵ABAG, Projections '90, December 1989, pp. 230-233.

POPULATION CHARACTERISTICS

Age

In 1980, Milpitas had the youngest population in the County with a median age of 26.3 compared to 29.1 Countywide. Not surprisingly, Milpitas had a significantly-higher percentage of residents, between the ages of 0 to 10 years (18.1%), than in the County overall (13.8%). Figure 5 illustrates that in 1990 it is projected that Milpitas' youngest age group will increase to 20.0% and still remain higher than the County's proportion of young children at 15.5%.

FIGURE 5
AGE BREAKDOWN BY CITY AND COUNTY, 1990



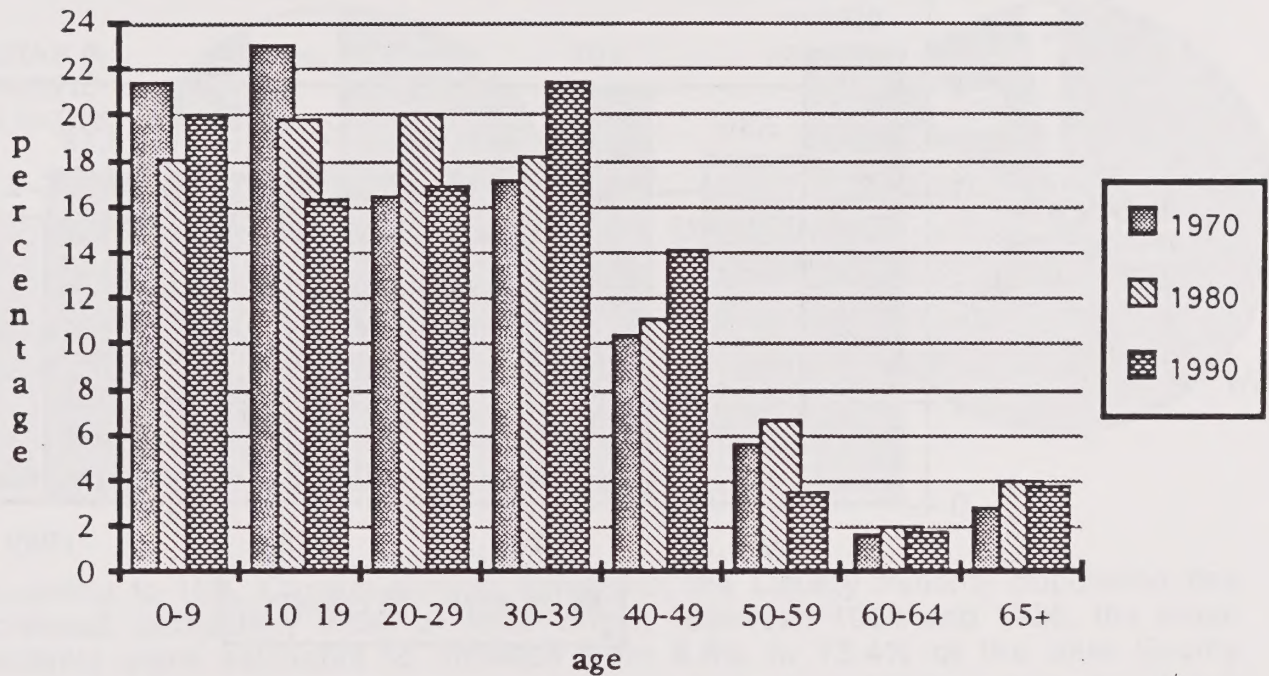
SOURCE: 1980 Census, Santa Clara County Advanced Planning Office ("Info", July 1988), Milpitas Planning Division, 10/26/89

Similar to nationwide trends, and in spite of so-called baby booms, Milpitas' population is aging. As demonstrated in Figure 6, the percentage of residents over 20 years of age has increased between 1970 and 1980, while the younger age groups decreased. It is anticipated that further maturing of the City's population, particularly for the 30 to 49 age group, will be evidenced by the results of the 1990 census.¹⁶

¹⁶ 1980 Census, Santa Clara County Advance Planning Office ("Info", July 1988),
Division, 10/26/89.

FIGURE 6

CHANGE IN CITY AGE BREAKDOWN
1970 to 1990



SOURCE: 1970 & 1980 U.S. Census, Santa Clara County Advance Planning Office ("Info", July 1988) and Milpitas Planning Division (10-26-89)

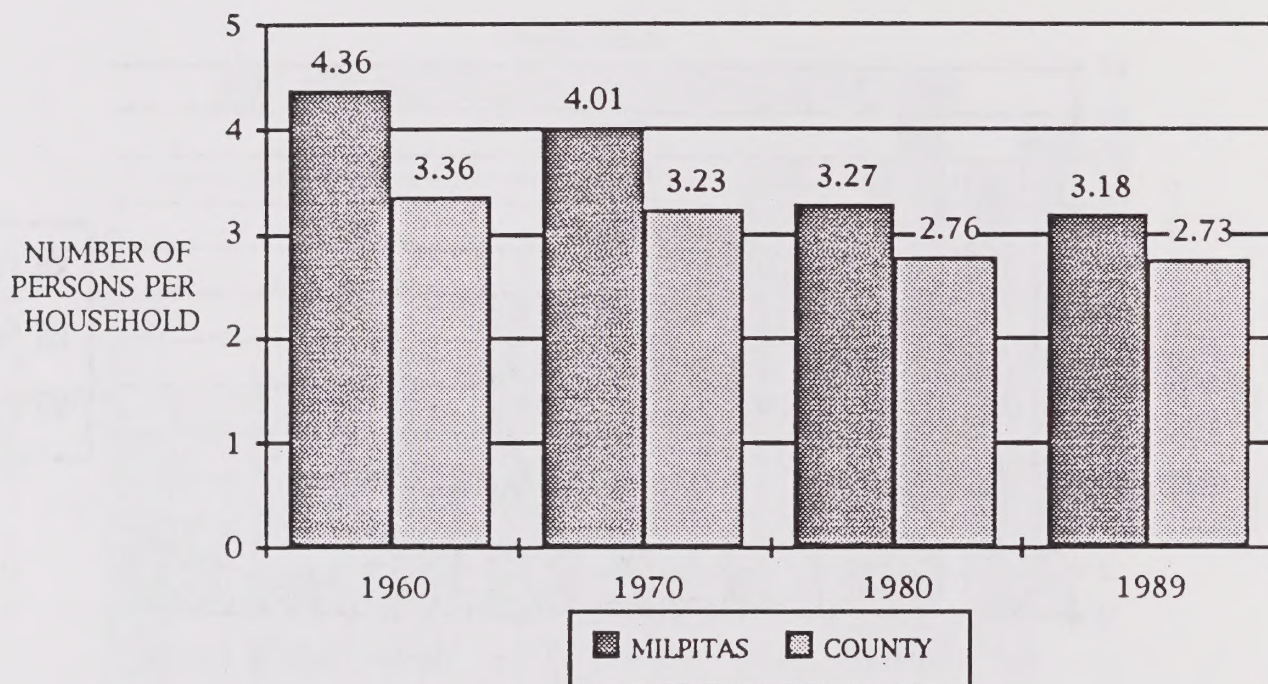
Household Size

With its young population, it is not surprising that in 1980 Milpitas also had the largest average household size with 3.27 persons per household. Countywide, the average household size was 2.76. Consistent with nationwide trends, though, household sizes are shrinking (See Figure 7). In 1989, Milpitas households have decreased to an average of 3.18 persons. However, Milpitas still has the largest average in the County where, overall, households are estimated to average 2.73 persons.¹⁷

¹⁷ State Department of Finance, Santa Clara County Population and Housing Estimates, 1, 1989.

FIGURE 7

AVERAGE HOUSEHOLD SIZE
MILPITAS & SANTA CLARA COUNTY
1960-1989



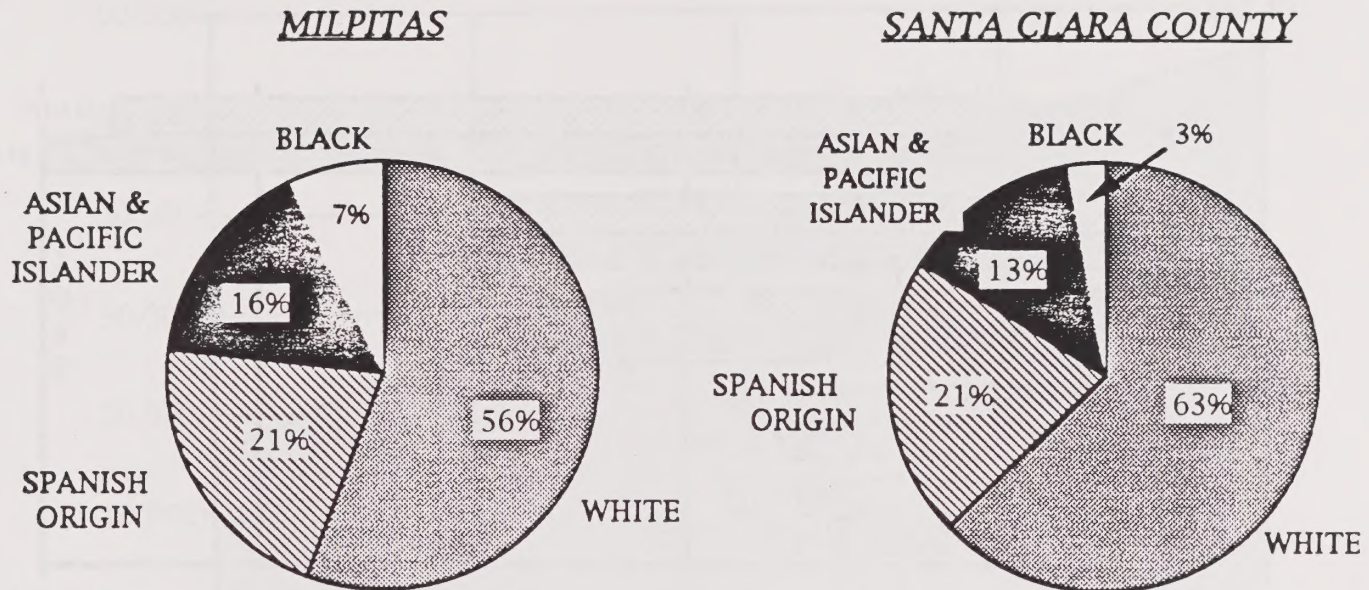
SOURCE: U.S. Census and State Department of Finance

Race/Ethnicity

Racially and ethnically, Milpitas has historically had a diverse population. In 1980, the City's minority population of 37.2% exceeded the County's 29.5% minority makeup (See Figure 8). Though Milpitas' Spanish origin resident population was close to the County's, the City had a much higher percentage of Asian and Black residents than the rest of the area.

FIGURE 8

RACIAL AND ETHNIC BREAKDOWN
MILPITAS AND SANTA CLARA COUNTY, 1989



SOURCE: U.S. Census Bureau, Milpitas Planning Division

According to U.S. Census Bureau estimates, the County minority population has increased, particularly those of Asian origin. Between 1980 and 1985, the Asian residents were estimated to increase from 8.8% to 13.4% of the total County population.¹⁸ Based on the Census Bureau's figures, the Milpitas' Asian population has been estimated to have also grown from 11.7% in 1980 to 16% in 1989. It is anticipated that the 1990 Census will confirm growing minority populations, particularly Asian groups, in Milpitas.

Income

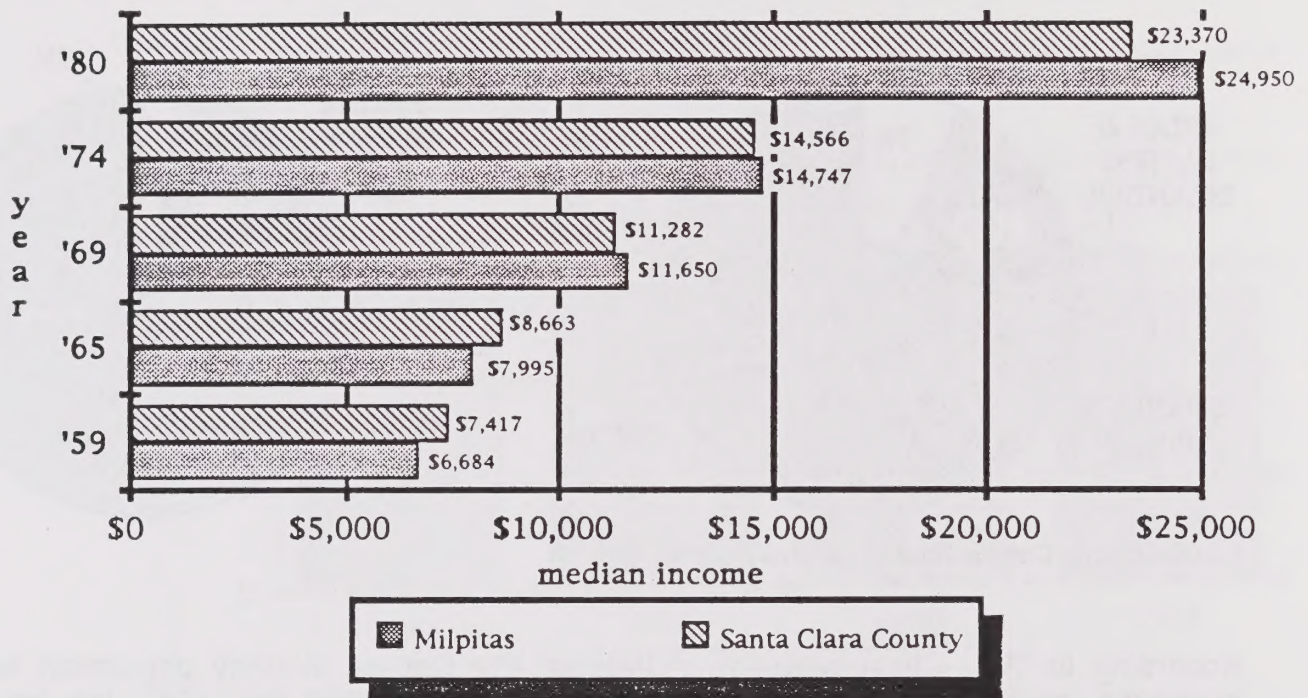
The average income of Milpitas residents has, historically, been close to that of the County's. In 1980, the U.S. Census estimated Milpitas' median household income to be slightly above the County's median (See Figure 9). For households, Milpitas has the seventh highest median income in Santa Clara County in 1980.¹⁹ It is anticipated that it will remain above the County average when the results of the 1990 Census become available.

¹⁸ "Asian Population Booming", San Jose Mercury News, June 21, 1989, p. 1A.

¹⁹ 1980 U.S. Census

FIGURE 9

MEDIAN HOUSEHOLD INCOME
CITY AND COUNTY, 1959 TO 1980



SOURCE: U.S. Census and special Santa Clara County Census

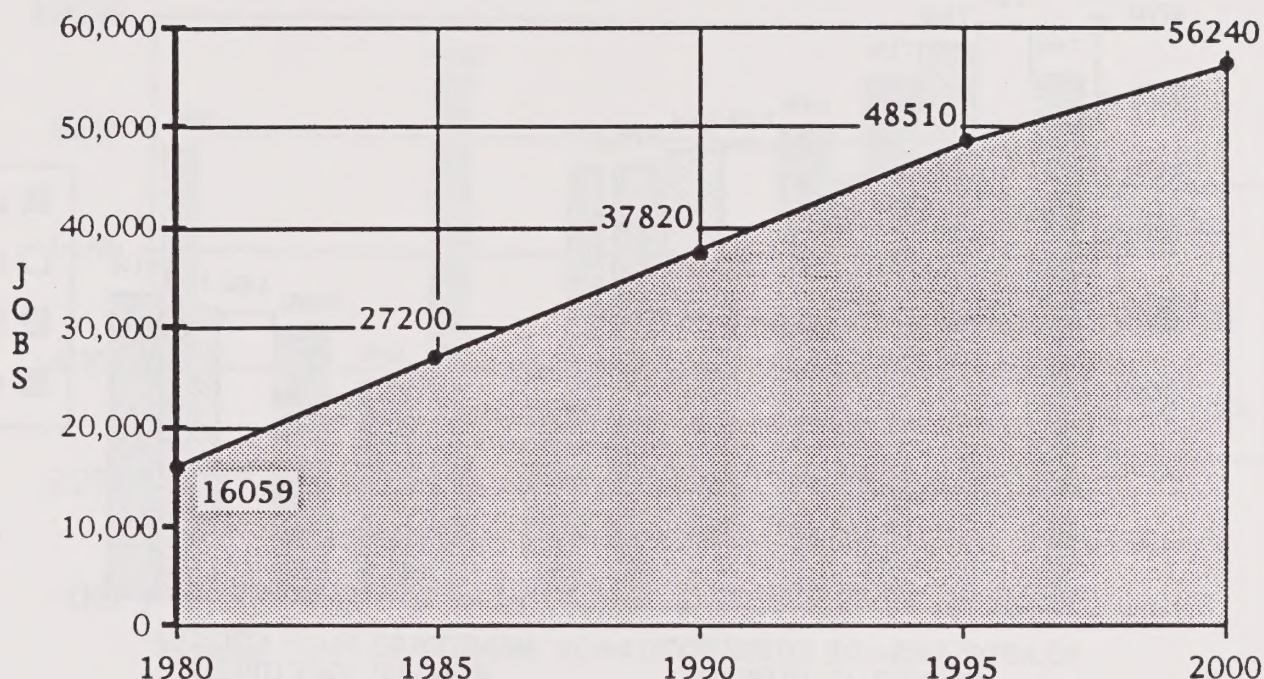
Employment

According to the Association of Bay Area Governments (ABAG), Milpitas' job market will have grown by 136%, or 21,761 jobs, from 1980 to 1990. As Figure 10 illustrates, ABAG, has also predicted that employment opportunities in Milpitas will continue to rise another 49% to 56,240 in the year 2000.²⁰

²⁰ABAG, Projections '90, December 1989, p. 235.

FIGURE 10

MILPITAS EMPLOYMENT GROWTH
1980-2000



SOURCE: ABAG, Projections '90, December 1989

HOUSING CHARACTERISTICS

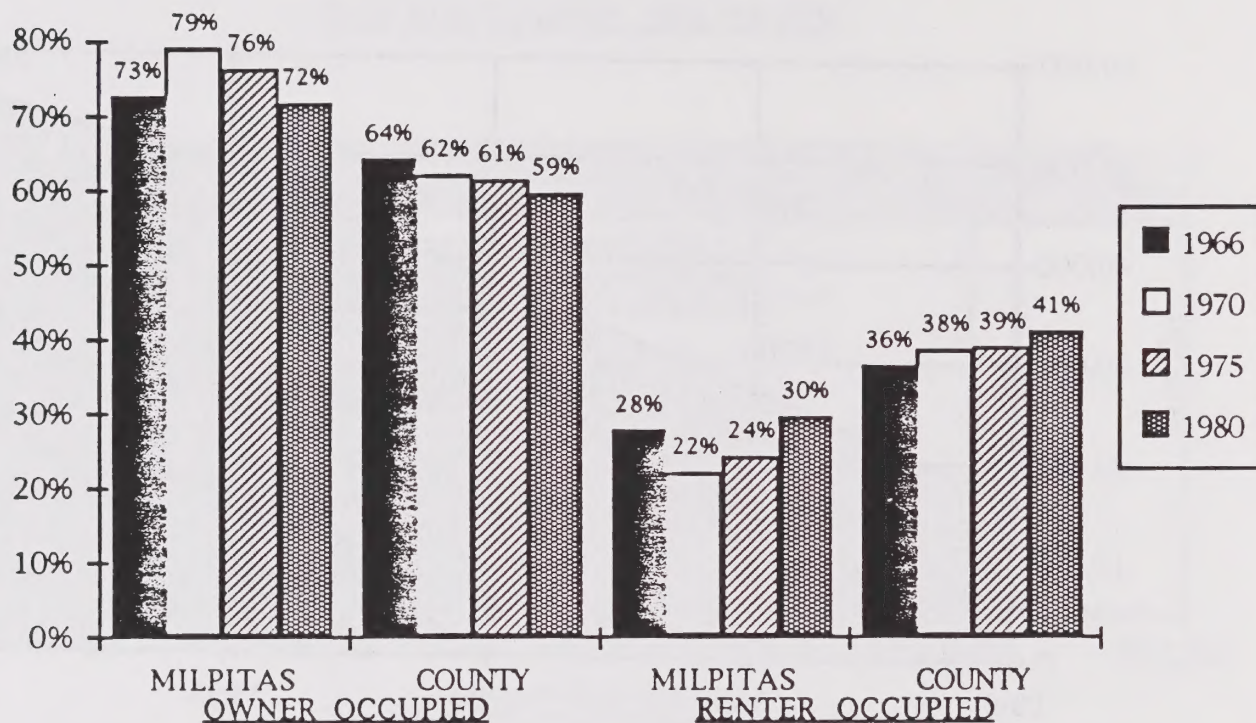
Housing Type

Milpitas is a predominantly single-family community. As of January 1, 1989, there were 14,360 dwelling units on both the valley floor and hillside area.²¹ On the valley floor, 70 percent were single-family homes (attached and detached). The remaining 26% were multi-family (apartments, condominiums & townhomes) and 4% mobile homes. Historically, the proportion of owner and renter-occupied housing units has also reflected the single-family character of Milpitas. As Figure 11 illustrates, the percentage of owner-occupied homes has varied from 71 to 79% since 1966. It has always been at least 8.7% higher than the percentage of owner-occupied homes Countywide.

²¹ State Department of Finance, Santa Clara County Population and Housing Estimates, January 1, 1989.

FIGURE 11

1966-1980 TENURE
MILPITAS AND SANTA CLARA COUNTY

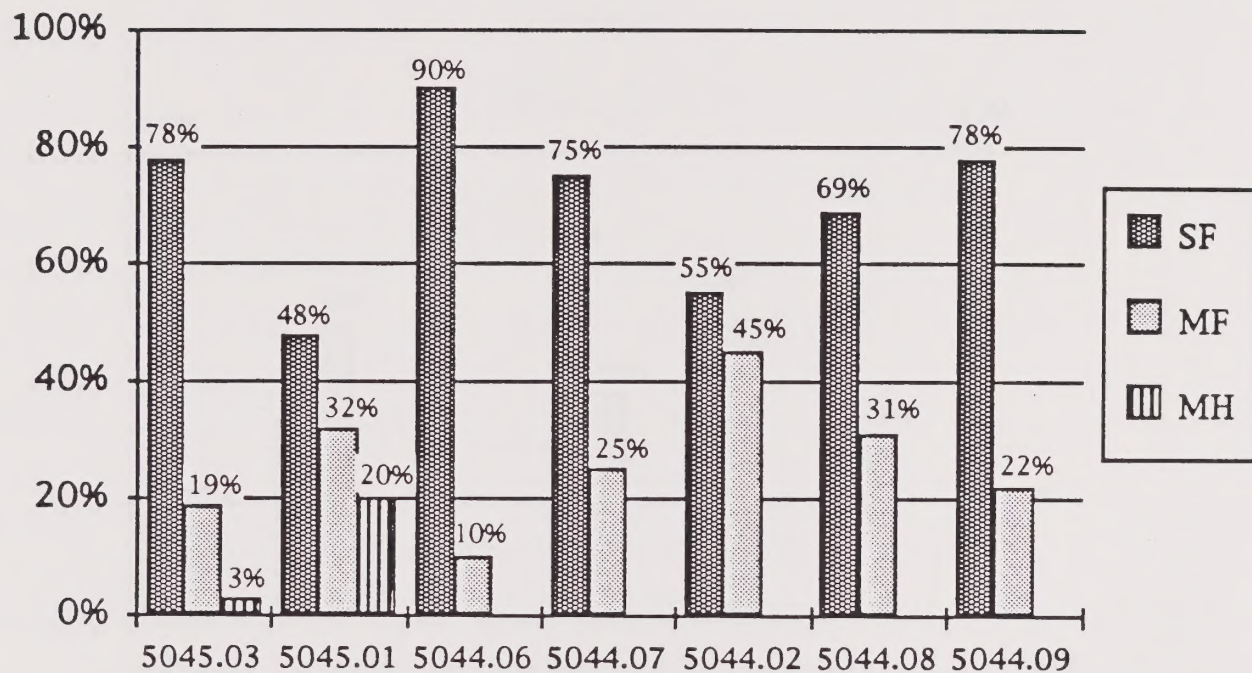


SOURCE: U.S. Census and County Special Census

Since 1984, the percentage of single-family homes has continued to increase. However, as illustrated in Map 1 and Figure 12, the various housing unit types are not evenly dispersed throughout the City. Of the seven residential census tracts in the City, the proportion of single family units range between 48% to 90%. Future development in accordance with the 1989 General Development Plan will not significantly alter the proportion or location of different types of housing. As shown in Map 1 and Figure 13, by 1995 the City will be 68% single family, 29% multi-family and 3% mobile homes.

FIGURE 12

HOUSING TYPE DISTRIBUTION
1989



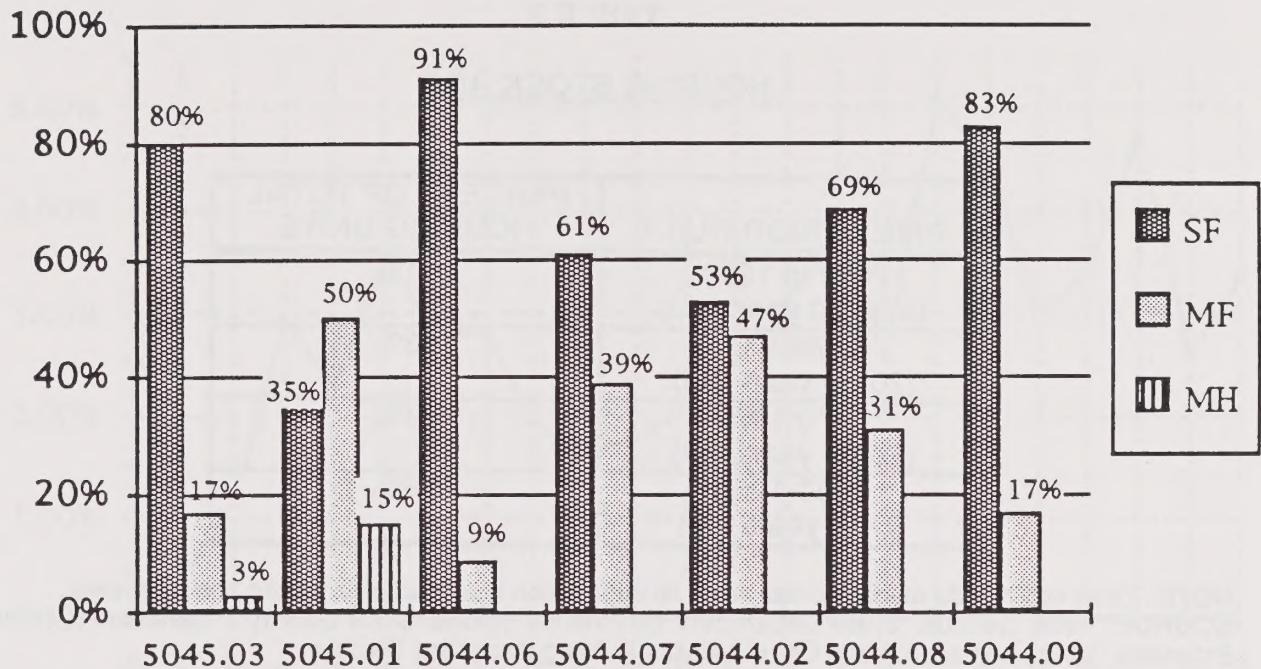
MAP 1

**HOUSING TYPE DISTRIBUTION
VALLEY FLOOR
EXISTING (1989) AND PROJECTED (1995)**



FIGURE 13

**HOUSING TYPE DISTRIBUTION
1995**



Densities

There is a wide range of land use densities allowed in the City of Milpitas. The lowest densities are required in the hillside beginning with a minimum lot size of 20 gross acres for one home. Up to three homes on one acre are allowed in the highest density hillside areas. On the valley floor, the following densities are permitted:

Land Use Designation	Allowable Units Per Gross Acre
Single Family Low	3 to 5
Single Family Moderate	6 to 15
Multi-Family Medium	7 to 11
Multi-Family High	12 to 20*
Mobile Home Park	6 to 7

* Up to 40 units to the acre can be achieved under the Multi-Family High designation. However, to exceed 20 units per acre, a project must be processed and approved by the City Council as a Planned Unit Development and meet criteria relating to water, sewer, traffic and architectural design (Title XI, Chapter 10, Section 54.07-6 of the Milpitas Municipal Code).

Structure Age

Milpitas' housing stock is relatively young. As indicated in Table 2, 26 percent of it has been built and occupied in the last ten years and 64 percent is less than 20 years old. However, as Milpitas ages so does its housing: 44 percent of all homes are older than 20 years (built prior to 1970).

TABLE 2
HOUSING STOCK AGE

TIME PERIOD BUILT	PERCENT OF TOTAL HOUSING UNITS
Prior to 1959 (over 30 years old)	11%
1960-69 (20-30 years old)	33%
1970-1979 (10-20 years old)	31%
1980-1989 (0-10 years old)	26%

NOTE: Does not include mobile homes since no information is available on mobile home turnover.

SOURCE: 1980 Census, State Department of Finance (Santa Clara County Population & Housing Estimates, 1/1/80 and 1/1/89) and City of Milpitas Building Inspection Division

Vacancy Rate

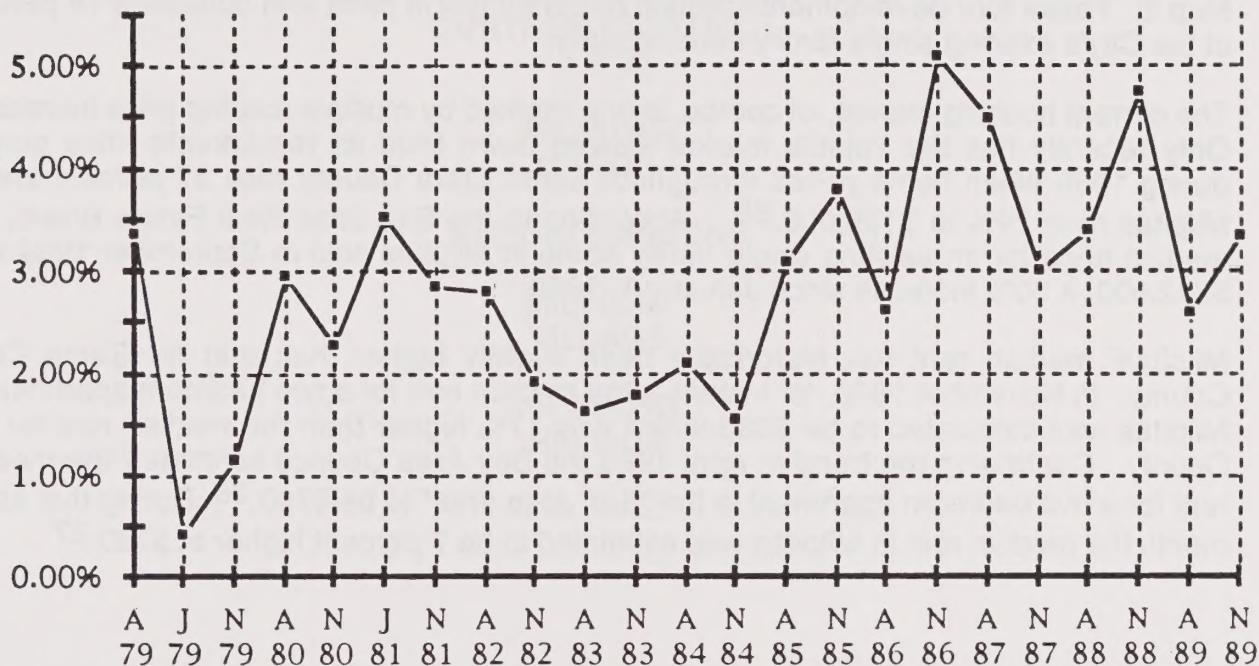
With the South Bay region's growing and changing population in the region has come an increasing demand for housing. In consequence, the residential vacancy rate has historically been very low. In 1980, for instance, the vacancy rate for all types of dwelling units was 2.8%.²² This was even lower than the Countywide vacancy rate of 3.2%. Owner-occupied units had a much lower vacancy factor of 0.9% while rental units averaged 3.3% in 1980. The vacancy rate continues to remain low. Twice a year, the City conducts a survey of apartments. As Figure 12 shows, since 1980, the rate has remained at 5% or less with the most recent rate calculated in November 1989 at 3.3%.²³

²² 1980 U. S. Census.

²³ City of Milpitas, Planning Division, Vacancy Survey Results Summary

FIGURE 14

VACANCY RATE
APARTMENTS, 1979-1989



SOURCE: Milpitas Planning Division

Overcrowding

In 1980, 6% of all occupied housing units in Milpitas were "overcrowded" (i.e. had more than one person per room), while 5% of the total County units were overcrowded. In recent years, the incidence of overcrowding has been related to changes in average household size. As household sizes gets smaller, overcrowding also declines. Consequently, with the City's average household size shrinking faster than the County average, it can be expected that the percentage of overcrowded units in Milpitas will tend to be closer to that for the total County. However, it should also be recognized that the incidence of overcrowding may also be affected by the cultural makeup of a community. Some social backgrounds, most notably those of Asian heritage, are known to sometimes have larger extended family households. These households may be classified as "overcrowded" by formal definition but for cultural reasons, they may also be the preferred life style of some families.

Value

Historically, owner-occupied units in Milpitas have been much less expensive than similar units in other Santa Clara County cities. The trend continues so that in 1988, out of 23 zones, Milpitas ranked 17th in median housing values. Only the Santa Teresa,

Evergreen, East Valley, Central, South and Blossom Valley areas of San Jose had lower median prices for single family homes.²⁴

Four single-family subdivisions built during the 1950's and 60's have probably contributed to low median house values. At the time of their initial sales, the projects were priced significantly below other new single-family developments in the Santa Clara Valley. The location of the four subdivisions of approximately 1,932 dwelling units, are depicted on Map 2. These four developments remain relatively low in price and constitute 14 percent of the City's existing single-family housing stock.

The current housing market, of course, is one marked by multiple soaring price increases. Only recently has the volatile market slowed down from its remarkable price surges during 1988 when home prices throughout Santa Clara County rose 37 percent and in Milpitas rose 29% to \$186,000.²⁵ According to the San Jose Real Estate Board, the median price for an existing single family home in Milpitas sold in September 1989 was \$242,000, a 30% increase since January 1, 1989.

Milpitas' median rent has historically been slightly higher than that for Santa Clara County. In November 1980, for instance, the median rent for a two bedroom apartment in Milpitas was calculated to be \$330 which was 17% higher than the median rent for the County. Continuing the trend in April 1989 the Bay Area Council estimated the median rent for a two bedroom apartment in the "San Jose area" to be \$700.²⁶ During that same month the median rent in Milpitas was estimated to be 7 percent higher at \$750.²⁷

²⁴ San Jose Real Estate Board, Appreciation Rates for 1988

²⁵ San Jose Real Estate Board, Appreciation Rates For 1988

²⁶ Bay Area Council, "Apartment Vacancies Remain Low in 1989, Rents Are Steady", Housing and Development Report, May 1989, p. 3.

²⁷ City of Milpitas, Planning Division, Vacancy Survey, April 1989.

MAP 2

OLDER RESIDENTIAL DEVELOPMENTS

SUNNYHILLS

**CURTNER ESTATES,
1 & 2**

**MILPITAS
MANOR**

SYLVAN GARDENS

**MILFORD
VILLAGE**

**PIEDMONT
HEIGHTS**

RESIDENTIAL DEVELOPMENT		TOTAL UNITS		TOTAL SQUARE FOOTAGE		TOTAL SQUARE FOOTAGE PER UNIT	
NO.	NAME	NO.	NAME	SQ. FT.	SQ. FT.	SQ. FT.	SQ. FT.
1	SUNNYHILLS	100	100	100,000	100,000	1,000	1,000
2	CURTNER ESTATES, 1 & 2	200	200	200,000	200,000	2,000	2,000
3	MILPITAS MANOR	150	150	150,000	150,000	1,500	1,500
4	SYLVAN GARDENS	120	120	120,000	120,000	1,200	1,200
5	MILFORD VILLAGE	80	80	80,000	80,000	800	800
6	PIEDMONT HEIGHTS	60	60	60,000	60,000	600	600
TOTAL		610	610	610,000	610,000	6,100	6,100

New Construction

An additional 2,281 new housing units are projected to be built in the valley floor area between 1990 and 1995. Table 3, indicates the amount of remaining undeveloped residential valley floor land by General Plan category. All of the sites presently have, or have the ability to be provided with, essential public facilities and services (i.e., sewer, water, roads, drainage).

TABLE 3
VALLEY FLOOR RESIDENTIAL LAND INVENTORY
DECEMBER 1989

GENERAL PLAN CATEGORY	DWELLING UNITS/ACRE	UNDEVELOPED RESIDENTIALLY DESIGNATED LAND		1990-1995 RESIDENTIALLY DESIGNATED LAND PROJECTED FOR DEVELOPMENT	
		TOTAL ACRES	DWELLING UNIT POTENTIAL	TOTAL ACRES	NO. DWELLING UNITS
Single Family Low	3-5	100	449	69	290
Single Family Moderate	6-15	56	520	56	520
Multi-Family Medium	7-11	18	135	18	135
Multi-Family High	12-20*	81	1334	81	1,334
Total	-	255	2,438	224	2,281

*up to 40 dwelling units per gross acre with special findings and Planned Unit Development approval

Hillside Area

Though it comprises more than 48% of the City's sphere-of-influence planning area, the Hillside Area will not significantly contribute to Milpitas' housing stock. Approximately one-quarter of the Hillside Area is County park land. Various environmental factors, such as geologic hazards (seismic faults and landslide potential), steep slopes and scenic concerns, were influential in determining the City's low density policies for the Hillside.

At the conclusion of 1989, approximately 435 single-family homes were already constructed in the hillside. This includes 250 units consisting of the Weller Ranch and smaller developments located on relatively shallow sloping land generally east of N. Park Victoria Dr. and between the north city limits and El Camino Higuera. Another 375 units can be anticipated in the hillside under the present General Plan policies and hillside ordinance. If all undeveloped properties transferred their development potential to the Village Study Area, another 400 hillside homes could be estimated. (However, it is not

anticipated that all remaining undeveloped hillside property will transfer their development rights so the bonus potential will realistically be much less than 400 units).

It should be noted that a 17 member Hillside Ordinance Review Committee is currently evaluating the City's existing hillside development policies and regulations. This may result in future changes to dwelling unit yield in the hillside area. Nevertheless, it is expected that housing in the hillside will continue to be large single family homes and high income households.

HILLSIDE DEVELOPMENT POTENTIAL			
Area	Existing Units	Maximum Potential Units	Notes
Area A	100	100	
Area B	200	200	
Area C	300	300	
Area D	400	400	
Area E	500	500	
Area F	600	600	
Area G	700	700	
Area H	800	800	
Area I	900	900	
Area J	1000	1000	
Area K	1100	1100	
Area L	1200	1200	
Area M	1300	1300	
Area N	1400	1400	
Area O	1500	1500	
Area P	1600	1600	
Area Q	1700	1700	
Area R	1800	1800	
Area S	1900	1900	
Area T	2000	2000	
Area U	2100	2100	
Area V	2200	2200	
Area W	2300	2300	
Area X	2400	2400	
Area Y	2500	2500	
Area Z	2600	2600	

SECTION 5

HOUSING NEED

CONDITION OF EXISTING HOUSING STOCK

Before considering the economic-related housing needs of Milpitas residents, the physical needs of the local housing stock should be taken into consideration. The best source of information on this subject is the 1988-91 Housing Assistance Plan (HAP) prepared by the City as required for participation in the Federal Community Development Block Grant Program (CDBG).

As illustrated in Table 4, the HAP estimates 275 dwelling units are in substandard condition and in need of rehabilitation. Fifty-two percent, or 142, of these units are estimated to be occupied by lower income households (less than 80% of the County median income as determined by the Federal Department of Housing & Urban Development.)

TABLE 4

DWELLING UNITS NEEDING REHABILITATION

	LOWER INCOME*	OTHER INCOME**	TOTAL
Owner	63	60	123 (45%)
Renter	79	73	152 (55%)
Total	142 (52%)	133 (48%)	275 (100%)

*Lower Income = Less than 80% of County Median Income

**Other Income = More than 80% of County Median Income

Source: Milpitas Housing Assistance Plan, 1988-1991

With only one exception, the City has not condemned any units because they were unrepairable. (The exception being one home damaged by the October 17, 1989 earthquake). Because of the relatively young age of the housing stock (please refer to Table 2 for more discussion of housing stock age) there is every reason to believe that the same situation will prevail for the next five years and that no units will need to be removed or replaced by the end of 1995. However, it should be noted that a small number of units may be removed or replaced during this period due to unforeseen circumstances such as a fire or due to redevelopment of a site with new development

(such as replacing an existing home on a large lot, previously used for agricultural activities, with a residential project).

SHELTER COSTS COMPARED TO INCOME

In assessing the local housing need, particular concern should be addressed to the problems encountered by lower income households. Households in this income category are especially vulnerable to high housing costs which require a substantial portion or even most of the household income. As previously discussed in Section 3, it is felt that households at this lower end of the income range are particularly hard-pressed if they are required to pay more than 25 or 30 percent of their income for housing.

In 1980, the following information was provided by the U.S. Census reflecting the percentage of income spent on owner and renter housing costs:

TABLE 5

HOUSEHOLD INCOME BY SELECTED MONTHLY HOUSING
COST AS A PERCENTAGE OF INCOME
OWNER OCCUPIED

% OF INCOME	INCOME					TOTAL
	\$0-\$4,999	\$5,000- 9,999	\$10,000- 14,999	\$15,000- 19,999	\$20,000+	
0-19%	0	47	93	252	2,819	3,211 (48%)
20-24%	6	22	24	75	870	997 (15%)
25-34%	7	16	84	160	1,159	1,426 (21%)
35%+	132	130	136	177	448	1023 (16%)
Not Compute d	15	0	0	0	0	0

SOURCE: 1980 U.S. Census, sample data

TABLE 6

**HOUSEHOLD INCOME BY GROSS RENT
AS PERCENTAGE OF INCOME
RENTER OCCUPIED**

% OF INCOME	INCOME					TOTAL
	\$0-\$4,999	\$5,000-9,999	\$10,000-14,999	\$15,000-19,999	\$20,000+	
0-19%	9	27	7	48	714	805 (27%)
20-24%	0	18	95	142	334	589 (19%)
25-34%	18	29	211	206	234	698 (23%)
35%+	236	312	261	97	25	931 (31%)
Not Computed	37	2	4	5	42	0

SOURCE: 1980 U.S. Census, sample data

As indicated in Table 5, 1,023 or 16% owner households in 1980 paid more than 35 percent of their income for shelter costs (excluding those households not computed). With the addition of those households paying more than 25 percent of their income, the estimates would rise to 2,449 or 37%. For renters, (Table 6) those paying greater than 35% amount to 931, or 31%. With the addition of those paying 25% or more, the figure would be 1,629 or 54%. The combination of owner and renter households paying more than 35% and 25% of their income for housing costs would be 1,954 or 20%, and 4,078 or 42%, respectively.

OVERCROWDING

The 1980 census indicates that 734 dwelling units in Milpitas, or 6.3% are overcrowded. A house is considered overcrowded if there are more than 1.01 persons per room.²⁸

SPECIAL HOUSING NEEDS

The Housing Element is required to analyze the housing needs of special groups in the population, such as seniors, the disabled, and large households. These groups have special needs which may not be met adequately by the conventional housing market.

²⁸ Does not include bathrooms, porches, balconies, foyers, halls or half-rooms.

1) Seniors

City staff estimates, based on 1980 census information, indicate that approximately 5.8%, or 2,693 residents, are 60 years of age or older. 400, or 15%, of those residents live in the three major mobile home parks located in the north side of the City. The median age for the mobile home park population in 1980 was 64.1 while, City-wide, the median age was 26.7. In addition, the median income of the mobile home parks was \$9,795 or 39% less than the City side median of \$24,908.

The special housing needs of seniors were responded to with the construction and occupancy of the 150 unit Terrace Gardens senior citizen apartment project. The City will continue to address senior housing needs by pursuing the "Actions" listed under Policy 6 of Section 7, "Housing Concerns and Goals". These Actions include the maintenance of existing City ordinances regarding mobile home park conversions and rent disputes and the continued exploration of future programs for rehabilitation and new construction. Special considerations for senior citizen housing include access to transportation and services and affordability (since many seniors have only limited or fixed incomes).

2) Disabled

According to the 1988-91 HAP, there were approximately 486 disabled individuals living within City boundaries. The HAP describes the special housing needs of the disabled as ongoing and requiring unique modifications to their homes to provide mobility through the installation of ramps, bars and other specialized equipment.

The City will continue to address disabled housing needs through Policy 4 in Section 7, "Housing Concerns and Goals" to insure that facilities are accessible by the disabled as required by the Uniform Building Code. In addition, the City will continue to provide funding, through the Urban County, for those agencies providing housing-related services to the disabled (i.e., Disability Law Center, Housing For Independent People and Access California).

3) Large Households

Approximately 2,190 occupied housing units (19 percent of the total occupied dwelling units) contained five or more occupants in 1980. Of these, 77 percent were owner occupied units and 23 percent were renter-occupied units). Overcrowding is the most obvious housing problem identified with large families and is further discussed in Section 4, "Community Profile". Since many large families consist of children, their housing needs include not only larger housing units but also access to outdoor play areas.

4) Farmworkers

Specific data on the size of the farmworker population and its housing needs is difficult to obtain for the small agricultural areas still existing in Milpitas. The 1980 Census reported that 210 individuals (or 1.1 percent of all workers) were employed in agriculture, forestry, fishery and mining industries in Milpitas. ABAG projections also reflect a small agriculturally related workforce. According to Projections '90, there were 190 jobs in the agriculture and mining industries in 1985. It is expected that these employment estimates will continue to decline as the little agricultural land left on the valley floor in Milpitas undergoes urban development.

5) Families With Female Heads of Household

City staff estimates that as of January 1, 1989 there were 1,546 households headed by a single individual with dependent children under 18 years of age in Milpitas. Assuming that the incidence of single mothers has not increased since 1980, 1,237, or 80%, of these households were headed by a female.

In 1980, 14 percent of the female-headed households were living below the poverty level. The conclusion of Section 3 "Area-Wide Housing Context" discusses the special problems female-headed households have in locating suitable rental housing.

Households with children need housing with two or more bedrooms and access to some outdoor play area. In addition, proximity to day care services, for all age ranges and particularly with an affordable fee schedule is an acknowledged need. Female-headed households may also need special financial assistance to help them remain in their homes following a divorce since the household will probably suffer a decrease in income. Typically, single mothers fare worse economically, due to their lower earning potential, than a similar male-headed single parent household.

6) Emergency Shelter

The Housing Element is expected to analyze the special housing needs of persons and families in need of emergency shelter and, if a need is identified, locate sites for emergency shelters and transitional housing. These sites are to be made available through appropriate zoning and are to be supplied with public services and facilities needed to develop shelters.

No counts of homeless persons in Milpitas are available nor are there any known areas or facilities where the homeless congregate or seek shelter on a regular basis. Obtaining a count of the homeless is not easy and depends on the definition of "homeless". For instance, some people may live in a hotel until their monthly income is depleted. They then live without shelter until the next monthly check arrives. Or some people may stay with friends or relatives because they simply can't afford a home of their own. However, the Milpitas Housing Service Center estimates that it will usually assist one to two individuals or families each week--especially during the cold weather season (September to March)--with locating short or long term shelter. Approximately half of these requests for assistance come from single mothers, generally with younger children. Ten to fifteen percent of the requests are also from families with two adults and the remainder from childless adults.

In addition, the Emergency Housing Consortium reports in their 1990-1991 Community Development Block Grant Application that in fiscal year 1988-1989 they provided 781 shelter nights to 50 different homeless Milpitas residents. They anticipate providing a minimum of 500 shelter nights for 40 to 50 low income homeless Milpitas residents for fiscal year 1990-1991.

There are no emergency shelters in town though the Housing Service Center will assist by referring individuals to other service agencies. Some agencies are private local churches who may coordinate reduced rates at local motels or assist in other ways. Public agencies and facilities, such as the Emergency Housing Consortium, are located

outside Milpitas but have received, and will continue to receive, funding from the Urban County of which Milpitas is a member. (Also refer to Section 9 "Housing Program Implementation" for more detail regarding the Urban County).

In 1987, a transitional housing facility for women suffering from abusive spouses, was established in Milpitas by Community Housing Developers, a nonprofit housing corporation. With 19 apartments, approximately 38 families have received long term shelter and assistance under the WATCH program (Women and Their Children Housing). An estimate of the number of clients originating from Milpitas is not available. As indicated in Section 8 "Program Evaluation", Milpitas provided a low-interest loan of \$50,000 in block grant funds and also \$60,000 in grants to assist Community Housing Developers acquire and rehabilitate the apartment buildings.

Thus far, the need for emergency shelter appears to be adequately met through existing services, such as the Emergency Housing Consortium and the transitional housing facility provided by the WATCH program.

7) Racial/Ethnic Minorities

According to the 1988-91 HAP, there were 227 low income racial minority households in substandard housing in Milpitas. 131, or 58%, of these households are renters while the remaining 96, or 42%, are homeowners.

FAIR SHARE ALLOCATION

State legislation requires local governments, to consider not only the housing needs of the current residents, but to also make adequate provision for a "fair share" of the housing needs of all who might reasonably be expected to live within the jurisdiction where a variety and choice of housing appropriate to their needs is available.

The State has required the regional Council of Governments, the Association of Bay Area Governments (ABAG), to prepare a Fair Share Allocation Plan for the Bay Area.²⁹ ABAG's plan, Housing Needs Determinations, January 1989, provides a basis for all localities to share equitably in responding to the housing needs of the bay area. The allocations for each City are based on estimates of the existing and projected number of housing units needed. These estimates are broken down into the type of housing needed (single-family, multi-family and mobile homes), the tenure of the needed units (whether the housing is occupied by owners or renters) and the expected and projected housing needed by income levels.

The methodology required by State law and followed by ABAG to determine the regional housing needs took into consideration market demand, employment characteristics, including employment projections, site availability, public facilities, commuting patterns and the type and tenure of housing need. In accordance with an interpretation from the Attorney General's office, ABAG also factored into their projection "alternative zoning." That is, the need for residential development to occur that would require a change in local government policies and/or zoning. "Alternative zoning" is intended to address the

²⁹ Chapter 1143, Statutes of 1980; AB 2853.

imbalance between new jobs projected to be created in the Bay area and housing production to shelter the new workers. According to ABAG, more than one million new jobs will be created in the Bay Area between 1985 and 2005. However, under current land use plans and policies only 850,000 of those new workers will find a home in the Bay Area. Another 45,700 new housing units are needed to house those employees.³⁰

Milpitas has historically been a "bedroom" community. Up until 1985 Milpitas exported workers. As previously mentioned, Milpitas' job market is expected to continue to outpace housing construction. Another 10,690 new jobs in Milpitas have been projected between 1990 and 1995.³¹ In calculating the "alternative zoning" need ABAG's methodology takes historical trends, for providing housing prior to 1985, into account. As a result, Milpitas' "alternative zoning" need was reduced from 2,972 to 1,929 units.

As Table 7 indicates, ABAG estimates the existing (1988) number of dwelling units needed in Milpitas to be 55. ABAG also projects that with "alternative zoning" factored in, at least 5,638 new homes will need to be constructed within City limits by 1995. It should be noted that of the 15 cities in Santa Clara County Milpitas has the second highest need projected by ABAG. Only San Jose (at 37,633) exceeds the total projected need of 5,638 dwelling units for Milpitas. The high estimate for housing need under the "alternative zoning" scenario is based primarily on the previously discussed employment projections and ABAG's granting of partial credit for the City's role as a bedroom community. However, it is evident that the communities most affected by this methodology are those that will be experiencing new job growth that will exceed residential growth. No special need was factored in for communities with existing jobs/housing imbalances and had already experienced job growth exceeding residential growth in the past (e.g., Palo Alto, Santa Clara, etc.).

³⁰ Association of Bay Area Governments, Housing Needs Determinations, January 1989, pp. 23-24.

³¹ Association of Bay Area Governments, Projections '90, December 1989, p. 239.

Table 7
MILPITAS FAIR SHARE OF REGIONAL HOUSING NEED

EXISTING NEED* 1988	PROJECTED NEED* 1988-1995	PROJECTED NEED* WITH ALTERNATIVE ZONING 1988-1995
55	3,709	5,638

NEEDED		
SINGLE FAMILY UNITS	MULTI-FAMILY UNITS	MOBILE HOME UNITS
4,341	1,128	169

NEEDED OWNER OCCUPIED UNITS	NEEDED RENTER OCCUPIED UNITS
4,059	1,579

PROJECTED HOUSING NEED BY INCOME CATEGORY			
VERY LOW	LOW	MODERATE	ABOVE MODERATE
958	846	1,240	2,594
17%	15%	22%	46%

*"Need": Net addition to available stock. Projected Need includes existing need.

**Household Income categories are based on percentage in relation to regional median income:
 Very Low Income: up to 50% Moderate Income: between 81 and 120%
 Low Income: between 51 and 80% Above Moderate Income: 121% and above

Source: Association of Bay Area Governments, Housing Needs Determinations, January 1989

If the City desires to maintain its 1980 distribution of dwelling units by tenure then of the total 5,638 dwellings needed by 1995, 4,059 (72%) should be owner-occupied while the remaining 1,579 (28%) should be rentals. Assuming the same 1980 distribution by housing type, 4,341 (77%) should be single-family homes, 1,128 (20%) in multi-family structures and 169 (3%) should be mobile homes.

Also indicated in Table 7 is a breakdown of housing needed by income categories for the households the housing should serve. ABAG averaged 1980 census income distributions for Milpitas with those of the San Francisco bay region. The results of these calculations indicate that Milpitas should be making efforts to provide housing for an additional 958 very low income households and 846 low income households. In addition, the City is also responsible for housing needed by 1,240 moderate income families and 2,594 above moderate income households by 1995.

In reporting the region's housing need, ABAG stated that "Local housing elements, and local programs adopted by local governments, are not required to "meet" the identified housing need. But State law does require a sustained and serious attempt to address housing needs."³² In addition, State legislation governing the content of the Housing Element indicates that the total housing need identified by the community, including the City's share of the regional housing need, may exceed the locality's available resources and abilities within the context of the General Plan. In such a case, State law notes that quantified goals do not have to match the identified needs.³³ However, the City must determine the housing that can be realistically met over a five-year period. The Milpitas housing programs, with quantified goals, intended to meet local housing needs, are discussed in the final section "Housing Program Implementation," of the Housing Element.

³² Association of Bay Area Governments, Housing Needs Determinations, January 1989, p. 25.

³³ Government Code Section 65583 (b)

SECTION 6

GOVERNMENTAL CONSTRAINTS

The provision of affordable housing within a community can sometimes be constrained by local agency regulations and procedures such as inflexible or excessive zoning regulations (i.e. large minimum lot sizes), high fees or amenity standards or a lengthy approval process. However, most (if not all) existing governmental constraints are valid responses to public concerns, such as:

- a) Furthering community planning objectives, such as the allocation of appropriate densities, preservation of environmental quality or provision of adequate recreational or public facilities.
- b) Providing time for adequate staff review and analysis and for public comment on proposed developments.
- c) Conforming with State law regulating planning and environmental review procedures.
- d) Budgeting/financial concerns which affect staffing levels or the thorough review and processing of permits.

It should also be noted that even if an agency were to effectively eliminate those regulations and procedures that act to constrain the development of housing opportunities, this would not necessarily result in the provision of more affordable housing.

MILPITAS EFFORTS TO MINIMIZE CONSTRAINTS

The City of Milpitas has been a leader among South Bay communities in providing housing affordable to all segments of the population. This suggests that Milpitas has, through its development controls and approval processes, minimal governmental barriers to the provision of wider housing choice. The following points will illustrate the types of constraints that do not exist in Milpitas as well as the steps the City has taken to mitigate government constraints.

1. The City does not have unreasonable density limitations. The General Plan and Zoning Ordinance provide for a wide variety of housing types and densities ranging in the valley floor area from single-family units on 10,000 square foot lots to apartment units at densities up to 40 units per gross acre. Furthermore, there are no minimum floor area requirements for any of the residential zones.

2. Milpitas does not maintain rigid inflexible development standards on residential projects. The Planned Unit Development (P.U.D.) procedure helps reduce constraints that may be imposed by zoning standards on housing projects by allowing variation in the following areas:

- a) Setbacks can vary to allow clustering or commonly-owned open space.

- b) The City's PUD policies effectively provide moderate to large increases in dwelling unit density over conventional subdivision yields (e.g. a standard "R1-3" subdivision -- minimum 3000 sq. ft. lot size -- usually generates 7 to 8 units per gross acre, while with PUD approval as much as 10 units per acre can be approved.)
- c) The street widths can be reduced from the usual City standards.
- d) Open space provided within a PUD for use by the project residents is deducted from the required park dedication. Alternately, the minimum lot size requirements can be reduced when a PUD provides excess park or useable open space areas (e.g. Parktown and Starlite Pines PUD's).
- e) The City's PUD process can provide for mixed-use developments, where moderate to high density housing is integrated with industrial or commercial uses, such as the Cadillac-Fairview Business Park.
- f) There is no minimum project area requirement for a PUD application.

3. The City does not have a "growth management program" that might act to limit the rate of housing development.

4. Since there is no inconsistency between zoning and the General Plan in Milpitas, there is no problem of the General Plan allowing higher densities than the Zoning Ordinance.

5. The City does not impose an excessive amount of application processing time and related delays on residential projects. For example, it is quite possible for small to medium sized projects (up to 50 or even 100 units) to receive final zoning and tentative map approval within three months of submittal of a complete application (larger projects, or ones in potentially significant environmental areas, may take longer due to the probability of an Environmental Impact Report being required).

EXISTING CITY CONSTRAINTS

Governmental constraints to increasing the supply of affordable housing do exist in Milpitas. While not all can be eliminated by City action (such as the delays required by State law for environmental review and public notice of hearings), many could be mitigated. However, as noted above, invariably the elimination of any constraining regulation or procedure will have "costs" (financial or otherwise) associated with it. Often those costs may be of more significance to a community than the indirect benefit of removing a (perhaps minor) barrier to affordable housing. The most significant governmental constraints in Milpitas are listed below, along with discussions of any trade-offs involved with their removal.

1. **Maximum Density:** In 1986 the City increased the maximum allowable density for housing projects from 20 units to 40 units per gross acre subject to satisfaction of environmental concerns. Further General Plan & Zoning Ordinance amendments to increase the maximum density are unlikely. Residential projects, with densities higher than 40 units per acre, are regarded as too intense in a small suburban community such

as Milpitas. Furthermore, it is probable that specific proposals to increase the maximum density would meet with considerable opposition from the affected residents.

Milpitas also allows second family units on lots zoned "R1" Single-Family Residential, subject to specific criteria. State law, however, has been amended since the City last adopted its ordinance. The State requires that second units be permitted in all residential zones unless the legislative body adopts a finding pursuant to Section 65852.2(b). The City should reevaluate its regulations for second units to assure that it is in conformance with State requirements.

2. Development Review: All multi-family and single-family moderate density residential projects are required to have architectural and site plans reviewed by the Planning Commission. This procedure can incur additional expense and delays for the developer. This also indirectly constrains the development of more affordable housing, inasmuch as it introduces the possibility of the City requiring architectural improvements and project amenities as conditions of approval (thus adding to the market price). However, the "cost" to the City (and especially to neighboring property owners) is that without a review process new developments might be poorly designed or inappropriately sited on the property.

Similarly, residential projects must also undergo environmental review as required by State law (California Environmental Quality Act or CEQA). Review requires identification of the project's environmental impacts and mitigation of significant impacts. Depending on a project's size and complexity, the environmental review process can add substantial costs to obtaining planning approval of a residential project due to information needs and/or additional processing time. However, the environmental review process in Milpitas is relatively streamlined but must meet CEQA processing requirements to allowing adequate time for public notification and public review. The review process must also meet criteria as specified in CEQA, as required by other agencies (i.e., CalTrans and the Bay Area Air Quality Management District) and meet the local information needs of the community. These review requirements have grown more complex and comprehensive with time. They are necessary, however, to ensure compliance with State law and to meet local development goals and needs including the need for developments to mitigate their environmental impacts on the existing community.

3. Public Facilities & Services: Water supplies and sewer treatment capacity (and any other utility capacity) are not presently a constraint to housing construction in Milpitas. (Though during drought years, reduced water use has been required of existing and new residents). However, there is a possibility that the City's treatment capacity allocation and/or guaranteed water supply could be used up prior to buildout of the City, if the number of particularly high-water using industries in Milpitas increases significantly. A future expansion of the San Jose/Santa Clara Water Pollution Control Plant will be necessary to meet the buildout needs of Milpitas and other South Bay cities. This is not expected until after 1995. The timing and the amount of need will be influenced by water conservation programs. The City will also be providing, in 1991, an alternate source of water for non-residential uses, through the Santa Clara Valley Water District. The City also continues to encourage water conservation, in part through implementation of several Landscape Conservation guidelines.

4. **Park Fees:** In conformance with the goals of the City's Open Space and Conservation Element, all residential subdivisions are required to dedicate open space for park land. In lieu of dedication, a developer may pay a fee equivalent to the area required for dedication times the per acre purchase price of the project site. The amount of open space is based on the number of proposed dwelling units with a goal of providing 5 acres of parkland for every 1,000 Milpitas residents. In 1989, 693.04 square feet of land must be dedicated for each residential unit. This is a reduction from the park dedication requirement in 1984 of 805.9 square feet per dwelling unit and is due to the nation and local trend toward reduced household sizes (as discussed in Sections 3 and 4). The resulting savings in park dedication requirements to the developer should indirectly have a small effect on the ultimate purchase price of new homes. However, any elimination or reduction of the park fee requirement would reduce the amount of open space planned for the City and require a major change in City policy regarding the provision of local recreational facilities.

5. **Permit Approval Process:** The time spent by an applicant processing a development project through the local government's permit approval process can add to the cost of the project. However, the permit process in Milpitas is relatively streamlined and the time required for staff review of a project is essential to ensure compliance with State requirements for permitting (CEQA, and Title 24 for example), design standards to meet local development goals and needs and the Building Code to provide safe and efficient construction standards. Reducing the comprehensiveness and time required for staff review, without a concurrent increase in staff or prioritizing of housing projects over commercial and industrial projects, could result in lesser quality developments and fewer opportunities for public participation in the planning process.

6. **Hillside Area:** Public policy and the Zoning Ordinance constrains Hillside density and design considerations due to concerns for safety (geologic hazards), environmental protection (minimize grading, maximize open space and protection of ridgelines) and aesthetics (units to blend with natural setting and location in Scenic Corridor). Consequently, the Hillside Area is limited to a maximum of 800-1200 dwelling units at ultimate development. Moreover, planned public utilities (i.e. sewer and water) would require costly and difficult changes to the systems if the number of Hillside dwelling units were substantially increased in the future.

7. **On-Site and Off-Site Improvements:** On-site improvement requirements in Milpitas are comparable with other nearby cities. On-site improvements include landscaping, quality of building materials, requirements for covered parking, etc., all of which may be classified as private property improvements. The quality and nature of these improvements is determined by the Zoning Ordinance and the site and architectural review process.

Off-site improvements include streets, street lighting, curbs, sidewalks, etc. which are within the public domain. Such improvements may be required not only for the frontage of the specific property to be developed, but also at some distance from the development site (to provide traffic control devices at a street intersection in the vicinity, for instance). Milpitas has required developers to pay for such improvements, following the City's

philosophy that new development should pay its own way. This requirement, however, has only been to the extent necessary to accommodate the development's proportional contribution to the need. The elimination or reduction of on-site and off-site improvements could affect project design and construction quality or require the City to cover the entire cost of required public improvements.

8. **School District Impact Fee:** State law allows the Milpitas Unified School District to impose a school impact fee on new residential and non-residential development in the City. The fee is intended to help mitigate the impact of new development on the school district. Under State law the City has no control over the amount of the fee or the criteria used in setting and collecting the fee.

9. **Regional Traffic Congestion:** Regional traffic congestion has spilled over and impacted the City's local street system. It not only has affected major arterials (i.e., Calaveras Boulevard & Montague Expressway) but has increased traffic in residential areas (i.e., Abbott Avenue) as commuters attempt to find alternative routes. Traffic impacts can increase the cost of a new residential development (i.e., necessitating traffic studies or requiring improvements to accommodate the project that may not have been needed if there was not as much traffic on affected streets). Traffic impacts could also be the deciding factor in whether residential development is appropriate. For instance, severe traffic congestion may isolate a site from other residential neighborhoods, commercial areas and emergency services.

The traffic congestion found in Milpitas originates outside city boundaries and funnels through the local street system as employees attempt to reach their work and home destinations. The congestion in Milpitas is the result of past land use and transportation planning decisions by other local and regional agencies. The policies and actions of those agencies continue to exacerbate traffic congestion within our City. Thus, traffic congestion is not a constraint that Milpitas alone can eliminate (though the City continues to fund and pursue improvements). Only through cooperation and funding commitments from other agencies can improvements to traffic congestion be addressed.

10. **Building Codes and Enforcement:** Building codes are not a constraint to residential development. New construction is required to meet 1988 Uniform Building Code (UBC) regulations, 1987 National Electrical Code, 1988 Uniform Mechanical and Plumbing Codes and the 1982 Fire Code. The City has adopted amendments to the UBC and Fire Code to increase construction standards for the roofs and walls of hillside homes and to require that these same homes have fire sprinklers and fire retardant roofs. These requirements are intended to preserve structural integrity and provide optimal safety conditions due to high winds (average 80 miles per hour) and increased fire hazard (not in acceptably close proximity to a fire station and in a semi-rural environment). Though these amendments result in increased construction costs, the homes that the requirements affect are valued in excess of \$500,000.00 and their higher income owners can more easily absorb the expense. It is not likely that the increased standards have prevented any housing construction in the City. All other amendments to the UBC are insignificant (i.e., a security lock requirement, for example).

11. Others fees: Besides open space dedication in lieu fees the City imposes other costs on residential development. These fees are related to processing, inspection, and installation services. Below is the estimated permit cost for development of a 2,000 square foot house on a 5,500 square foot lot.

Type of Fee	Amount
Building Permit	\$3,965
Plan Check	\$198
Energy Plan Check	\$198
Microfilming Fee	\$25
Treatment Plant Fee	\$880
Water Connection Fee	\$530
Sewer Connection Fee	\$243
Water Service Agreement	\$62
Total	\$6,101

These costs are similar to or lower than those in other cities in the county and are not a constraint. In fact when combined with an estimated park dedication in lieu fee (\$2,170) and school district fee (\$3,160) the total cost of \$11,316 is well below the estimated public agency charges for a similar size and valued home illustrated in Figure 2 (Section 3).

SECTION 7

HOUSING CONCERNS AND GOALS

CONCERNS

The City of Milpitas during its early and middle development phases (mid-1950's through the early 1970s) was a leader among the South Bay area communities in providing housing, both assisted and unassisted, that was affordable to low- and moderate-income households. In accordance with the family-oriented character that has been established in the City (due partly to its past location outside the primary urban employment and service centers), the majority of those units were owner-occupied, both low density single-family homes as well as high density townhouses and condominiums. As mentioned in Section 4, "Community Profile", Milpitas still has one of the lowest median housing values in Santa Clara County.

The City is presently entering into its last residential growth stage: that of infilling large and small areas encircled by existing developments. In this mature phase, Milpitas will be experiencing an increase in the proportion and number of medium and high density units, thus increasing the supply of housing types generally utilized by lower income households. In conjunction with the arrival of this final major growth phase, the City is also facing serious traffic congestion problems and is attempting to provide a balance of residential, commercial and industrial development. Therefore, efforts to address local and area-wide housing problems must be designed to work with, rather than against, these other major concerns.

It appears that a primary reason for much of the traffic congestion in Milpitas stems from the City's location as a connecting node of intra-regional freeways and expressways. Major streets funnel commuters from large residential areas north and south of Milpitas to employment centers to the west.

Beside traffic considerations, it is important to have a balance of low, middle and premium priced housing both within a City and within a region. Since most of the housing built in Milpitas in the past were low and middle priced units, the remaining single-family units must be of a high quality and price in order to achieve the desired balance.

Above all other considerations, however, the City has a responsibility to existing residents to preserve the character and amenities of Milpitas that first attracted them here. Therefore, it would be inappropriate for the City to adopt housing policies that would further aggravate problems in other areas (such as the effect of increased densities on existing traffic congestion).

GOALS

The City of Milpitas recognizes that cooperative efforts by all related public and private participants in the realm of housing will be required to alleviate present and future housing problems. The City also subscribes to the belief that programs and policies for housing must be consistent with good planning principles and environmental concerns.

GOAL 1: TO ENCOURAGE THE PROVISION OF DECENT HOUSING FOR ALL PERSONS, REGARDLESS OF AGE, INCOME, RACE OR ETHNIC BACKGROUND, SEX, MARITAL STATUS OR OTHER ARBITRARY FACTORS.

POLICY 1: To continue to encourage the provision of equal housing opportunities for all Milpitans.

ACTIONS:

- A. Continue to coordinate with and refer citizens to fair housing service agencies.
- B. Continue to consider requests by fair housing service agencies for funding under the City administered Human Services Policy and the Community Development Block Grant program administered by the Urban County (of which Milpitas is a member).

POLICY 2: To eliminate housing deficiencies and prevent future blight through conservation, reconstruction and removal.

ACTIONS:

- A. Continue to marshal all available sources of public and private funding, for low interest housing rehabilitation loans for low and moderate income families.
- B. Continue to maintain a program of positive code compliance to eliminate hazardous and nuisance conditions in neighborhoods.

POLICY 3: To encourage the County Housing Authority (CHA) and the Federal government to continue financial assistance to low and moderate income families to insure that all persons, regardless of income, can afford decent housing.

ACTIONS:

- A. Encourage the CHA to continue its program of identifying property owners who are willing to rent their property to low and moderate income families who receive CHA assistance.
- B. Study the need and feasibility of preserving the Sunnyhills Apartments as a source for low income housing when their Housing Assistance Payment Program contract expires in 1993.

POLICY 4: To continuously review and update City building codes incorporating modern construction techniques and materials to encourage water, sewer and energy conservation, assist crime and fire prevention, *provide access for the disabled* and improve seismic safety.

ACTIONS:

- A. To insure a long, useful life for the housing stock of our community, maintain the existing Code Review Committee to monitor and recommend revisions to City building codes to insure the most up-to-date and effective techniques and regulations are utilized.
- B. Employ an adequate number of qualified building inspectors and provide them with ongoing training.
- C. Maintain an aggressive inspection program of homes and businesses to insure code compliance.
- D. Encourage the State and the Public Utilities Commission to provide appropriate financial incentives for retrofitting existing buildings for energy conservation and seismic safety.

POLICY 5: To develop programs by which the cost of housing can be reduced to middle income families.

ACTIONS:

- A. When permissible under State and Federal law, continue to provide the opportunity and ability to sell mortgage revenue bonds or other purchase assistance techniques to finance mortgages at reduced interest rates.

- B. Continue to work with local lending institutions to develop new financing methods, such as equity sharing, variable interest rates, etc. to help reduce the cost of home financing.
- C. Explore ways of providing incentives to reduce the cost of new housing such as density bonuses or interior design modifications.

POLICY 6: To pursue all available means of providing affordable housing for senior citizens.

ACTIONS:

- A. Continue to explore opportunities to provide senior housing through Federal and State grants, tax increment revenue from redevelopment areas and other funding sources and program options.
- B. Continue to seek funding for a mobile home rehabilitation loan or grant program.
- C. Continue to maintain the mobile home park rent disputes ordinance.

POLICY 7: The City of Milpitas shall assist its residents in understanding the nature and value of providing affordable housing (including low income housing) and maintaining a variety of housing types for all segments of the population. The City's housing and development policies shall encourage a positive perception of affordable housing.

- A. Provide appropriate housing literature and data when available from the Federal Department of Housing and Urban Development (HUD), the State of California Department of Housing and Community Development (HCD), and other governmental agencies regarding various regulations (such as income restrictions and eligibility requirements) for affordable housing with the City of Milpitas.
- B. Encourage public participation and discussion on affordable housing.

GOAL 2: TO ENCOURAGE THE PROVISION OF A VARIETY OF INDIVIDUAL CHOICES IN HOUSING TYPE AND LOCATION

POLICY 1: To use zoning for new residential developments to encourage a variety and mix in housing types and costs.

ACTIONS:

- A. Include this policy within the Land Use Element of the General Plan.
- B. Geographically disperse similar development types throughout the community so that denser districts are not concentrated within a single area of the City.
- C. Evaluate whether the existing second unit ordinance is adequate and determine if it meets the requirements of State law (Government Code Sections 65852.1 and 65852.2).

POLICY 2: To use zoning in ways which will consider the location of housing in close proximity to new industrial developments which can be served by existing City services and facilities.

ACTIONS:

- A. Encourage General Plan Amendments for residential uses, where environmentally acceptable, to help reduce the jobs/resident workers imbalance.
- B. Continue to consider increased housing densities near commercial or industrial areas that can be served with existing City services.
- C. Continue an active role on the Golden Triangle Task Force and its endorsement of related policies to encourage residential development.

POLICY 3: To plan for housing construction adequate to provide for future populations and for replacement needs, consistent with community goals.

ACTION:

- A. Review replacement housing to insure that it is compatible with the existing neighborhoods and does not stress existing City facilities.

GOAL 3: TO ESTABLISH, MAINTAIN AND ENHANCE THE CHARACTER, QUALITY AND LIVABILITY OF RESIDENTIAL AREAS

POLICY 1: To provide a sufficient level of City services to maintain the existing livability of residential areas.

ACTIONS:

- A. Maintain the level of City services to sufficiently protect people and property from crime, fire and other conditions detrimental to the well-being of the neighborhood; maintain City streets and parks so that they are safe and clean; provide potable water and proper drainage of storm water; remove liquid and solid wastes; and insure that people have the reasonable use and enjoyment of their property.
- B. Continue to develop incentives, including financial incentives, to encourage property owners to maintain their property in an aesthetically pleasing condition.
- C. In hillside areas, emphasize standards that protect City infrastructure (streets, water, sewer and storm drain lines, etc.) from geologic hazards.
- D. Continue to vigorously enforce the requirements of the Hillside Ordinance particularly as they apply to the determination and analysis of geologic hazards and the prohibition of construction in geologically unstable areas.
- E. Continue to pursue the completion of the Parks, Recreation and Cultural Arts Commission's needs study on Parks, Open Space and Recreational Facilities. Establish a schedule for periodic review and update of the study to identify and address the City's ongoing park needs.

POLICY 2: To encourage sufficient open space and recreational opportunity within neighborhoods to provide for the needs of residents.

ACTIONS:

- A. Continue to require dedication of land for open space uses or in lieu cash contributions.
- B. Encourage the construction of privately owned and maintained open space and recreational facilities where feasible.
- C. Continue to monitor the adequacy of existing park dedication requirements.

POLICY 3: To encourage the use of garages and driveways for parking and thereby improve the appearance of the neighborhood.

ACTIONS:

- A. Insure that new residential development has sufficient off-street parking.

GOAL 4: TO INSURE THAT FUTURE RESIDENTIAL DEVELOPMENT ENHANCES THE OVERALL CHARACTER OF THE COMMUNITY
--

POLICY 1: To encourage high quality site and architectural design for new residential projects.

ACTION:

- A. Continue to encourage the use of Planned Unit Development applications to encourage imaginative project design while addressing the needs of the community.

POLICY 2: To ensure environmental impacts, such as traffic, from new residential projects are insignificant or have been reduced to insignificant levels.

ACTIONS:

- A. Continue to implement the California Environmental Quality Act to provide the Planning Commission and City Council with comprehensive information on a project's environmental impacts.
- B. Implement all required mitigation measures and establish a mitigation monitoring program in accordance with State law.
- C. Continue to pursue local policies and actions, and encourage the policies and actions of outside agencies, that will lead to improvements in traffic circulation.

SECTION 8

HOUSING PROGRAM EVALUATION

EFFECTIVENESS OF CONCERN AND GOAL STATEMENTS CONTAINED IN THE 1984 HOUSING ELEMENT

The concerns and goal statements contained in Section 7 reflect changes in conditions or lessons learned from the 1984 Housing Element. The programs mentioned below, and their achievements since implementation of 1984 Element, are described in more detail later in this section (under "PROGRAM PERFORMANCE").

GOAL 1: TO ENCOURAGE THE PROVISION OF DECENT HOUSING FOR ALL PERSONS, REGARDLESS OF AGE, INCOME, RACE OR ETHNIC BACKGROUND, SEX, MARITAL STATUS OR OTHER ARBITRARY FACTORS.

Milpitas provided funding assistance, through the Urban County, for the Fair Housing Consortium and, supplemented with the City's Human Services Fund, the Milpitas Housing Service Center. These agencies provided a wide range of fair housing services to Milpitas constituents. In addition, the Milpitas Housing Rehabilitation Program continued to help eliminate housing deficiencies through financial and technical assistance to lower income households. Lower than anticipated activity levels in this program were probably indicative of a reduced client base due to the high cost of housing in the region and the inability of qualifying lower income families to own their home. The Rental Rehabilitation Program provided funding for the rehabilitation and preservation of rental units, including those using Federal rent subsidies, for lower income households. The City building codes were continuously reviewed and updated to insure the use of modern construction techniques to maximize safety and quality construction. To assist middle income households to purchase their first home, Milpitas provided opportunities for mortgage revenue bonds and tax credits. The City provided housing opportunities for senior citizens through the construction of Terrace Gardens. It also assisted existing senior residents through the adoption of the Mobile Home Park Conversion Ordinance and establishment of a mediation service for mobile home park rent disputes.

GOAL 2: TO ENCOURAGE THE PROVISION OF A VARIETY OF INDIVIDUAL CHOICE IN HOUSING TYPE AND LOCATION.

Since 1984, Milpitas doubled the maximum density allowed under the Multi-Family High land use designation from 20 to 40 units per acre and allowed residential uses in the Town Center designation to encourage mixed uses. The City also approved 982 new apartment units in four different projects and a variety of single family housing projects

with smaller lot sizes (3 and 4,000 square foot lots). Most importantly, Milpitas was an active participant and promoter of the Golden Triangle Task Force. The City endorses the policies of the Task Force to encourage the construction of additional housing, particularly in proximity to employment areas, with the intent of improving the projected jobs/housing imbalance in the area. Milpitas approved the redesignation of industrial and commercial properties to residential uses. It has also indicated its willingness to consider proposals for the redesignation of other nonresidential sites (most notably the McCarthy Ranch property located at the northwest quadrant of I-237 and I-880). It has become evident to the City that redesignation of nonresidential properties can be filled with many difficult issues including compatibility with existing and planned land uses, the ability of the City to provide services (i.e., emergency services to areas that may be isolated by traffic congestion and facilities), desires of and impact on the existing residential neighborhoods, and environmental impacts, particularly in light of growing awareness regarding soil and groundwater contamination and air quality impacts. As a result, Milpitas decision-makers have required more in-depth analysis of all residential projects including detailed environmental analysis and implementation of mitigation measures.

GOAL 3: TO ESTABLISH, MAINTAIN AND ENHANCE THE CHARACTER, QUALITY AND LIVABILITY OF RESIDENTIAL AREAS

The City has continued to provide an adequate level of services to residential neighborhoods. Improvements to existing services, such as street light replacement, flood control facilities and alternative/emergency water supplies have been planned and/or implemented. Milpitas has reviewed, adopted and/or enforced standards to promote livability such as control of junk cars, recreational vehicle storage, animal regulations and noise limits. The City has continued to require land dedication for open space purposes for new developments. During the review period the City conducted an evaluation of park dedication requirements and considered their impact on housing prices. It was concluded that reducing the current requirements would have an adverse impact on the City's open space needs and ultimate quality of life for City residents. Milpitas has continued to vigorously enforce the Hillside Ordinance requirements for determination, analysis and protection from geologic hazards. The City is also conducting a year long evaluation of the Hillside Ordinance. In addition, during project review, Milpitas insures that a development has parking adequate to meet ordinance requirements.

GOAL 4: TO INSURE THAT FUTURE RESIDENTIAL DEVELOPMENT IS PROPERLY PLANNED SO AS TO ENHANCE THE OVERALL CHARACTER OF THE COMMUNITY.

Due to staff and technology limitations, Milpitas was unable to perform the indepth analysis of the economic impacts of residential development on City resources and services. The need for this type of analysis has not continued to be identified by City leaders. The City continues to encourage the use of Planned Unit Development (PUD) applications to encourage imaginative and flexible project design. The City has found PUD's make projects, located on unusual shaped infill lots, easier to design and

incorporate into existing neighborhoods. Lastly, Milpitas' environmental review process has evolved to provide a comprehensive analysis of the impacts from new projects and incorporation of mitigation measures to reduce those impacts.

PAST HOUSING ASSISTANCE

Relative to its size, there has been considerable amount of housing assistance provided for Milpitas residents in the past. This previous activity has been summarized in the following table:

HOUSING ASSISTANCE PROVIDED BY THE CITY OF MILPITAS	
TYPE OF ASSISTANCE	AMOUNT OF ASSISTANCE
1. HOMEOWNERS ASSISTANCE	1. \$100,000
2. HOMEOWNERS ASSISTANCE	2. \$100,000
3. HOMEOWNERS ASSISTANCE	3. \$100,000
4. HOMEOWNERS ASSISTANCE	4. \$100,000
5. HOMEOWNERS ASSISTANCE	5. \$100,000
6. HOMEOWNERS ASSISTANCE	6. \$100,000
7. HOMEOWNERS ASSISTANCE	7. \$100,000
8. HOMEOWNERS ASSISTANCE	8. \$100,000
9. HOMEOWNERS ASSISTANCE	9. \$100,000
10. HOMEOWNERS ASSISTANCE	10. \$100,000
11. HOMEOWNERS ASSISTANCE	11. \$100,000
12. HOMEOWNERS ASSISTANCE	12. \$100,000
13. HOMEOWNERS ASSISTANCE	13. \$100,000
14. HOMEOWNERS ASSISTANCE	14. \$100,000
15. HOMEOWNERS ASSISTANCE	15. \$100,000
16. HOMEOWNERS ASSISTANCE	16. \$100,000
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18. HOMEOWNERS ASSISTANCE	18. \$100,000
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20. HOMEOWNERS ASSISTANCE	20. \$100,000
21. HOMEOWNERS ASSISTANCE	21. \$100,000
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93. HOMEOWNERS ASSISTANCE	93. \$100,000
94. HOMEOWNERS ASSISTANCE	94. \$100,000
95. HOMEOWNERS ASSISTANCE	95. \$100,000
96. HOMEOWNERS ASSISTANCE	96. \$100,000
97. HOMEOWNERS ASSISTANCE	97. \$100,000
98. HOMEOWNERS ASSISTANCE	98. \$100,000
99. HOMEOWNERS ASSISTANCE	99. \$100,000
100. HOMEOWNERS ASSISTANCE	100. \$100,000

TABLE 8

HOUSING ASSISTANCE IN MILPITAS
UP TO DECEMBER 1989

HOMEOWNER ASSISTANCE

<u>Program</u>	<u>No. of Units</u>
Section 235, single-family detached	45
Section 235, town house and condos	326
Section 221-d-3, single-family detached cooperative	65
CDBG Rehabilitation (since 1977) single-family detached	91
Total assisted units	528

RENTER ASSISTANCE

<u>Program</u>	<u>No. of Units</u>
Community Assistance:	
Section 236 (Sunnyhills Apts.)	171
Rental rehabilitation (with Moderate rehab)	35
New Construction (Redevelopment Agency)	50
Rental Subsidy:	
Existing Section 8 rent subsidies	51
Total assisted units	492

OTHER ASSISTANCE

<u>Program</u>	<u>No. of Units</u>
Incentive grants	43
Smoke detectors	400
Bank of America home improvement grants	115
Total assisted units	558

Source: City of Milpitas, Community Assistance Division

PROGRAM PERFORMANCE

The Housing Element's most recent update was in November 1984. At that time goals for a five year housing program were established. Following is a discussion of those goals and the city's progress toward achieving them.

Fair Share

TYPE OF UNITS NEEDED	PREDICTED 1980-1990	PERFORMANC E (% OF GOAL MET)
Total Units	3,972	3,840 (97%)
Single Family	3,054	3,374 (110%)
Multi-Family	779	466 (60%)
Mobile Homes	139	0 (0%)
Owner Occupied	2,856	3,374 (118%)
Renter Occupied	1,116	466 (42%)
Occupant Income:		
Very Low	675	163 (24%)
Low	596	303 (51%)
Moderate	874	476 (54%)
Above Moderate	1,827	2,898 (159%)

NOTE: Estimates for owner/renter occupied are conservative and do not factor in rentals in single family projects.

As indicated in the above chart, the City was only able to achieve 24% of its very low-income need and 51% of its low-income need. As discussed in previous sections, the Milpitas community is located in an area of high housing costs. With a limited land supply, and a seemingly insatiable market demand for larger single family homes, the development of new dwellings affordable to lower income households is not financially feasible through the private sector. Only through some variety of public assistance can new low income units be built. As discussed later in this section, Milpitas has provided funds for 150 new rental units for lower- and moderate income seniors and has also provided funds to assist in the acquisition and rehabilitation of 31 apartments for lower-income households. Also, as discussed in Section 9 "Program Implementation", the City adopted an ordinance regulating the conversion of mobile home parks to alternative uses. The ordinance contributes to the conservation of the 521 existing mobile homes in three mobile home parks. The City's strategy, to respond to the previously mentioned need for lower-income households, is further addressed in Section 9 "Program Implementation".

In 1985 the City of Milpitas participated in the creation of the Golden Triangle Task Force. The Task Force is intended to tackle transportation problems in Santa Clara County's

Golden Triangle area. It is a cooperative effort at regional planning and its membership is composed of local jurisdictions. (Presently Milpitas, Mountain View, San Jose, Sunnyvale, Palo Alto, and Santa Clara County). In May 1986 Milpitas affirmed its support of the Golden Triangle Strategic Plan, Phase 1 and its commitment of 2,400 new dwelling units. It pursued a General Plan Amendment (1987-3) intended to produce additional housing through increased densities and conversion of non-residential land to residential uses. After review of environmental factors and other planning considerations, 72 acres of Industrial Park property was redesignated Multi-Family High (1987-3a) and 15 acres of Multi-Family Medium was changed to Multi-Family High (1987-3b).

Including the two City initiated changes mentioned previously, during the five year period (January 1, 1985 to December 31, 1989) Milpitas approved the redesignation of 218 acres of nonresidential land to residential (expected to produce approximately 2,150 new dwelling units) and increased the density of another 76 acres of existing residentially designated land (expected to produce approximately 480 new dwelling units).

In 1986, Milpitas doubled the maximum density allowed in the "Multi-Family High" land use designation from 20 units to 40 units per gross acre. Projects approved in excess of 20 units per acre must be Planned Unit Developments and criteria must be met regarding sewer and water service, traffic, shadows, view obstruction and loss of privacy. As of December 1989, three residential projects, or 886 dwelling units, have been approved at the higher densities.

Community Development Block Grant

PROGRAM	PREDICTED	PERFORMANCE	COMMENTS
Housing rehab loans & grants to low & moderate households	50	25	Lack of applicants
Rental rehab loans	4 units	31 units	\$87,000 in loans \$60,000 in grants Urban County: \$14,000 in loans
Mobile home rehab	0	0	Program could not be implemented due to Federal guidelines
Housing for Independent People(rehab for disabled)	4	0	No applicants
Access California(rehab for low income disabled)	5	0	No applicants
CHEC(weatherization for low income households)	175	Unknown	Records not maintained by CHEC
Fair Housing Consortium	Continued provision of agency services & City participation in Urban County funding		On-going programs. Performance not readily quantifiable.
Shared Housing & Project Match	Continued provision of agency services & City participation in Urban County funding		On-going program. Performance not readily quantifiable.
Emergency Housing Consortium	Continued provision of agency services & City participation in Urban County funding		On-going program. Performance not readily quantifiable.
Jobs Bill	Selwyn Park improvements & street tree trimming	Improvements & trimming done	Federal program discontinued
Multi-Family Housing Bonds	Continued availability of \$30 million bond issue in Urban County	No applicants. Program ended in 1987.	Program discontinued.

More detailed descriptions regarding the programs listed above are included in Section 9 "Program Implementation". As indicated, the City continued to operate existing block grant programs. The Rental Rehab program exceeded predicted goals exclusively due to the activity of Community Housing Developers, a private housing corporation. Though the housing rehab program for owner occupied properties only achieved 50% of its predicted performance, it did address a special need. Sixteen of the program's 25 clients (or 64%) were single women heads of households. Due to other agency actions (policies promulgated or program closings) and other circumstances beyond City control (lack of applicants due to market conditions for multi-family housing or in spite of aggressive marketing for the program) some program predictions were not entirely met.

In April 1989, the City Council also indicated their overall support of an eight unit "owner-built" or "self-help" single family project proposed by Community Housing Developers. The \$62,500 loan (acquired from the block grant funds available for housing rehab) was approved at a 3 percent interest rate and was contingent upon the non-profit housing corporation acquiring the property from Santa Clara County by December 31, 1989. Community Housing Developers, however, was not able to acquire the property (primarily due to the marketing strategy developed by the County) by the December 31st deadline. However, First San Jose Housing, another nonprofit housing development corporation, did submit a proposal to the County to develop the entire 15 acre site as self-help housing. They have proposed that \$150,000 of Urban County block grant funds and the \$62,500 of City CDBG funds, originally reserved for CHD's project, be reallocated to their project. They have also applied for another \$62,500 in City CDBG funds for the next fiscal year.

Redevelopment Agency

PROGRAM	PREDICTED	PERFORMANCE	COMMENTS
owner rehab	20 units	0	Funds used in other programs
rental rehab	10 units	0	
low & moderate new construction	75-100 units	150 rental units	Program exceeded goal
other projects	none	Four major projects related to neighborhood preservation	Program exceeded goal

Since fiscal year 1980-81 the Milpitas Redevelopment Agency has accrued a \$10.4 million set aside that has been earmarked for low and moderate income housing purposes, in accordance with State Redevelopment law. \$13 million has been obligated, exceeding the 20 percent set aside requirement. The principal project using Redevelopment Agency funds was a 150 unit new construction project for seniors of

lower and moderate incomes known as Terrace Gardens. Other projects using Redevelopment monies were intended to maintain and improve neighborhoods where low and moderate income housing is located thereby encouraging the preservation of the existing supply of low and moderate income housing (i.e., Sunnyhills street lighting improvements, Spence/Penitencia storm drain project and the acquisition and renovation of the Milpitas Sports Center).

Mortgage Revenue Bonds

Between 1985 and 1989 it is estimated that approximately 90 low and moderate homebuyers received mortgage financing assistance for new dwelling units in Milpitas. (An exact number of benefitting households could not be obtained from either the City's bond counsel or the residential developers themselves due to recordkeeping systems and research involved). Use of mortgage revenue bonds was dependent on changing enabling legislation and residential projects eligible and willing to participate in the program.

Housing Service Center

The Milpitas Housing Service Center has been primarily supported by block grant monies from the Urban County and the City and by the City general fund. The Center has provided full time counseling, education and referral services for housing related requests.

Community Assistance Program

During the past five years the City has continued to finance the Community Assistance Program from the general fund. The program's staffing was increased and was also augmented by seasonal workers and interns for special projects.

Other Programs

In April 1988 the City Fire Department initiated a multi-phased earthquake preparedness program. Phase one involves the distribution of 12,000 workbooks advising residents how to prepare for an earthquake, including improvements that could be made to a home to increase its safety and stability during a large quake. Fire Department personnel went door to door distributing the workbooks and making presentations to the individual homeowners. Approximately 10,000 books have been distributed thus far.

TABLE 9
ABAG FAIR SHARE PROJECTIONS

PLANNING PERIOD	PROJECTED NEED	ACTUAL/PROJECTED CONSTRUCTION (% OF PROJECTED NEED MET) ¹
1988-90	2,000	1,335 (67%)
1990-95	1,709	2,351 (138%)
1988-95	3,709	3,685 (99%)

Quantified Objectives by Income Category:

The ABAG Projected Housing Need for Milpitas between 1988-1995 totals 3,709 dwelling units. As illustrated in Table 9 (ABAG Fair Share Projections), Milpitas will come very close (99%) to meeting ABAG's projections. However, there are governmental and non-governmental constraints which restrict the ability to achieve these total housing goals and objectives. One of the major influencing factors is the general economic condition of the area. Without an adequate market demand for housing and a private sector supply, the potential housing units in this element will be extremely difficult to achieve. Table 10 (ABAG Projections by Income Categories) illustrates the income categories, based on the projected needs and actual/projected construction (and their percentages).

Section 65583(b) requires that quantified objectives for the maximum number of housing units to be constructed, rehabilitated and conserved over the five year period of the element be established by income category. Table 11 below illustrates the maximum actual numbers of housing units that can be constructed, rehabilitated, and conserved by income category from 1988-1995.

¹ Valley floor and hillside

TABLE 10

ABAG FAIR SHARE PROJECTIONS BY INCOME CATEGORIES
1988-95

INCOME CATEGORY	PROJECTED NEED (% OF TOTAL PROJECTED NEED)	ACTUAL/PROJECTED CONSTRUCTION (% OF PROJECTED NEED MET)
Very Low	631 (17%)	148 (23%)
Low	556 (15%)	401 (72%)
Moderate	816 (22%)	1,076 (132%)
Above Moderate	1,706 (46%)	2,060 (121%)
Total	3,709 (100%)	3,685 (99%)

TABLE 11

QUANTIFIED OBJECTIVES BY INCOME CATEGORIES
FROM 1988-1995:

Income Categories	New Construction	Rehabilitate	Conservation
Very Low	631	35	442
Low Income	556	65	262
Moderate Income	816	5	38
Above Moderate	<u>1706</u>	<u>0</u>	<u>0</u>
	3709	105	742

Source: City of Milpitas Planning Division/Community Development Department

New Construction:

A total of 3,709 is the number of units which potentially may be constructed during the 1988-1995 time period considering land resources, interest rates, construction cost, governmental constraints, and other factors which could affect the overall conditions of the housing market.

Rehabilitation:

The City of Milpitas provides financial assistance for the rehabilitation of existing housing units through the rehabilitation program. This program is designed to assist mostly low-income households. The program provides support to households through both financial assistance and construction supervision. The City of Milpitas annually provides assistance to approximately 10-20 units, utilizing either the CDBG funds, Rental Rehabilitation Program, or Section 312 Funds (when available). Approximately 105 units (or more) could be rehabilitated during the 1988-1995 time period.

Conservation:

The 171 unit Sunnyhills Apartment at 1745 Sunnyhills Drive was built under the Federal Section 236 program. It currently provides 171 dwelling units for low-income residents. The Section 8 Housing Assistance Payments Program and income restrictions on the units have been extended by the Department of Housing and Urban Development until October 2011. The 150 unit Terrace Garden senior citizens residential development was funded by the City's Redevelopment Agency, which specified that rental agreements require income restrictions (below market rate) for all of units for the entire lifetime of the project. Finally, there are 421 mobilehome units located within four mobilehome parks through the City of Milpitas. The City retention of these existing parks through the combining overlay zoning district (Mobilehome Park-MHP) and the adoption of the Conversation of Mobilehome Parks to Other Uses Ordinance will encourage the continued preservation of these units.

Therefore, a total of 742 units could be preserved within the existing housing stock.

SECTION 9

IDENTIFICATION OF ADQUATE HOUSING SITES

"HOUSING NEEDS" BACKGROUND

State law requires Milpitas to consider not only the housing needs of current residents, but to also make adequate provision for a "fair share" of the housing needs of all those who might reasonably be expected to live here if a variety and choice of housing appropriate to their needs was available. The Association of Bay Area Governments' projected 1988-95 housing need for Milpitas is 5,638 new housing units, the affordability of which should be as follows:

- 17% affordable to "very low income" households (i.e. with incomes up to 50% of the regional median);
- 15% affordable to "low income" households (i.e. with incomes between 51 and 80% of the regional median);
- 22% affordable to "moderate income" households (i.e. with incomes between 81 and 120% of the regional median);
- 17% affordable to "above moderate income" households (i.e. households with incomes over 120% of the regional median);

STATE HCD COMMENTS

The City adopted its current Housing Element on June 5, 1990. In response to comments received from HCD in April 1990 regarding the draft 1990 Housing Element (which was virtually the same as the adopted 1990 Housing Element), staff prepared in early 1991 a draft revised Housing Element (which was never reviewed by either the Planning Commission or the City Council). It was estimated in the 1991 Housing Element that between 1988 and 1995, 1,405 housing units were constructed and that the City's General Plan provided enough sites for 2,281 more units by 1995. Thus, in 1990 the City's General Plan needed to provide enough sites that could accommodate up to $\pm 1,952$ new housing units in order to meet the City's housing need. The 1991 draft revised Housing Element noted eight commercial and industrial sites for which "the City has received inquiries concerning conversion to residential use", which could be found to be suitable for residential use and then subsequently rezoned to residential.

The 1991 draft revised Housing Element was sent to HCD for their review and comment. In their written response dated April 25, 1991 (copy attached) HCD noted that there was

a "shortfall of sites" to accommodate the City's 1990-95 housing need (erroneously identified as being 3,357) and stated that the 1990 Housing Element needed to "include programs to rezone" sufficient sites to accommodate the identified 1988-90 housing need (see attached excerpts).

HCD also noted that the 1991 draft revised Housing Element "should clearly demonstrate" how the housing units constructed in 1988-90 are consistent with the City's need for units affordable for the different income categories. HCD noted that the 1991 draft revised Housing Element "should demonstrate that the City's high density range is sufficient to facilitate development for lower income households". HCD recognized that projects of up to 40 units per acre are allowed with special findings and approvals--see attached excerpts from General Plan and Zoning Ordinance-- but felt that it was "unclear whether the City has any history of building units affordable to lower-income households under this program". It should be noted that since August 1986 (when the General Plan was amended to allow "Multi-Family High Density PUD to go up to 40 units per acre. Since the General Plan Amendment several development projects have requested to exceed 20 units per gross acre. they are as follows:

<u>Project</u>	<u>Number of Units</u>	<u>Units per Gross Acre</u>
1) Spinnaker Pointe	220	23.8 (9.2 acres)
2) California Landing	576	28.0 (18.4 acres)
3) Beresford Meadows (*)	372	36.3 (10.2 acres)

THE 1993-94 "POTENTIAL HOUSING SITES" PROJECT

In response to HCD's comments the City has begun a program to consider changing the General Plan designations of appropriate sites in Milpitas for the purpose of providing sufficient residentially zoned sites to accommodate the identified 1995 housing unit need.

The first steps of the program were to:

1. Identify potential sites for General Plan Amendments ("GPAs") that would increase the potential planned amount of housing in Milpitas. The site evaluation process involved the following criteria:
 - No Hillside Area sites were considered inasmuch as environmental and community concerns (as expressed during a three year Hillside General Plan review process that ended August 31, 1992) require that new development densities there be exceedingly low-- between one unit per eighty acres and one unit per ten acres.
 - Non-residential sites had to be at least 2 acres in area, since smaller sites would not yield enough units to effectively justify using City resources to study; e.g. even at 40 units per acre such sites would yield less than 80 units each, or less

than five percent of the housing site needs. Please note that this does not mean that the City would discourage and/or deny later residential GPA proposals (either privately initiated or as part of a "second round" of City-initiated housing sites GPAs) for such small sites may not be appropriate.

- Vacant residentially zoned sites had to be large enough so that rezoning to increase allowable density would result in a net gain of at least 100 units (otherwise such proposals, particularly given likely neighborhood objections, would not be worth the effort of a City-initiated GPA). Furthermore, for the purpose of this site identification process, it was assumed the maximum increase in density for vacant residential sites should be no more than twice that of any existing neighboring residences.
- For the purpose of this study, it is assumed that a "Multi-Family High" designation will yield 20 units per acre (i.e. the top of the "normal" range of 12 to 20 units per acre for this designation, but less than the 40 units per acre maximum allowed with a PUD).

- 2 Obtain Planning Commission and City Council consensus that the identified sites are indeed the most desirable with the potential to accommodate housing. This was very important in order to avoid spending unnecessary effort in analyzing and holding GPA hearings for sites which were generally considered by the community to not be appropriate for residential designation or for increased residential density.

Following Council approval of a list of six appropriate "Potential Housing Sites" on May 18, 1993 (see Map 1), staff started working on the environmental review and GPA analysis for the project.

It is currently proposed that in the Fall of 1994 the City Council (after review and recommendation by the Planning Commission) will amend the Housing Element to indicate an action/work plan for preparing an EIR and planning reports for GPAs and zone changes for the identified "Potential Housing Sites". The preliminary work plan at this point predicts that public hearings and final action (either approval or denial) on the "Potential Housing Sites" GPAs would occur in the Fall of 1994.

Based on the findings of a preliminary "initial study" or Environmental Impact Assessment, an EIR will be prepared that analyzes the individual and cumulative impacts of residential development on the proposed housing sites. The EIR for the proposed GPAs will provide information crucial to the determination of the appropriateness of those proposals. When the respective GPA proposals are brought to public hearing, each will be considered on its individual merits, and public input on each GPA will be received.

PROPOSED HOUSING SITES (see Map 1 and Table 1)

MILMONT DRIVE SITES: Totaling 24± acres, these sites are located north of Dixon Landing Road, and are designated as "Manufacturing". These sites include the existing 6.2 acre Pepsi-Cola distribution facility site on the east side of Milmont Drive and two vacant parcels west of Milmont: a 13.6 acre lot owned by Pepsi-Cola and a 4.2 acre lot next to the I880/Dixon Landing interchange. At 20 units per acre, these sites could yield 480± units.

The sites are close to other high density residential developments: the Trammel-Crow apartments on the south side of Dixon Landing Road and the Spinnaker Pointe apartments just east of the railroad tracks. An 11+ acre City park is located less than a quarter mile away from these sites and neighborhood-serving commercial facilities are located in the immediate area. The sites are adjacent to Heavy Manufacturing land uses in the City of Fremont along the northern property line. The western area of these sites may have "wetlands" status, which could potentially limit development there. The rezoning of the Pepsi-Cola distribution plant from Light Industrial to Residential would make it a legal non-conforming use, which may cause future problems for the property owner.

MAP 1

Table 1: "Potential Housing Sites"

Site	Acreage	Existing GP(Zoning)	Proposed GP(Zoning)	Proposed Density
Milmont Drive Sites	24±	Manufacturing (M2-S)	MultiFamily High (R3-S)	up to 20 units per gross acre*
McCarthy Ranch: "Max/Mix Community"Alt.	200±	Manufacturing & Industrial Park (M2-S & MP-S)	Mix of SF Moderate & MF High (R1-3S & R3-S)	avg. density of 15± units per gross acre
"Minimum Neighborhood"Alt.	75±	Manufacturing (M2-S)	Multi Family High (R3-S)	up to 20 units per gross acre*
Existing K-Mart Site	11±	General Commercial (C2-S)	Multi Family High (R3-S)	up to 20 units per gross acre*
Northern Elmwood	17±	Industrial Park (Agricultural, A-S)	Single Family Moderate (R1-3S)	up to 10 units per gross acre
Eastern Elmwood	25±	General Commercial & Retail Sub-Center	Multi Family High (R3-S)	up to 20 units per gross acre*
Capitol/Montague	17±	Manufacturing (M2-S)	MultiFamily High (R3-S)	up to 20 units per gross acre*

*: note that projects of up to 40 units per gross acre can be allowed subject to meeting certain criteria (see below) and approval of a specific Planned Unit Development

McCARTHY RANCH : 200± net acres of vacant land located north of Highway 237, between I880 and Coyote Creek, designated "Industrial Park", "Manufacturing" and "Highway Service" (i.e. commercial). Two GPA alternatives for this site are being proposed for analysis:

- "Max/Mix Community" : In order to conform to adopted Housing Element goals ("use zoning for new residential developments to encourage a variety and mix in housing types and costs" and "geographically disperse similar development types throughout the community so that denser districts are not concentrated within a single area of the City"), this alternative proposes a 200± acre mix of residential designations/densities that result in a variety of housing types and densities, at an average density of 15 units per acre-- a potential yield of 3,000± units. Separate areas for a public park (5 to 10 ± acres) and an elementary school (10 to 15± acres) will also be considered.
- "Minimum Neighborhood" : This alternative proposes that only 75± acres of the site be designated as Multi Family High, which at 20 units per acre would yield 1,500± units. A separate area for a public park (5± acres) will also be considered.

The site is isolated from existing residential community and may require special service/facility needs (i.e. neighborhood-oriented shopping, school, park, etc.). The adjacent Coyote Creek linear park would be a significant open space/recreation resource for future residents. The proposed 80+ acre McCarthy Ranch Marketplace could provide the commercial services needed support a very large residential community, although the Marketplace proponents have to date indicated that the commercial uses there would be more regional or community-wide oriented. Odors from the sewage treatment plant or the Newby Island landfill may make this site inappropriate for residential development.

With the "Minimum Neighborhood" alternative it may be difficult to keep traffic from existing adjacent/nearby industrial and commercial developments out of the proposed residential area and residential uses could conflict with interspersed industrial uses.

EXISTING K-MART SITE: 11+ acre site, designated "General Commercial" with an existing large commercial building, the main tenant being K-Mart. At 20 units to the acre, this site could yield 220± units. As K-Mart is considering another site, they may move out of this building. It is not known, in such an event, whether the owner will seek new retail tenants or desire to change the site to residential uses.

Rezoning to residential would make the existing on-site commercial building a legal non conforming use. Medium density residential developments are adjacent and nearby to this site. Currently, the site has excellent access to bus service. However, should the K Mart building be demolished and a residential project developed on the site, it is possible that the loss of the large parking lot may cause the Transit District to use a different site for its Milpitas bus transfer area.

NORTHERN ELMWOOD SITE: Surplus parcel owned by Santa Clara County, located north of the Elmwood Correctional facility, across the 80 foot wide Hetch Hetchy right of way; designated on the General Plan as "Industrial Park". The parcel's easterly 17± acres are

adjacent to the Sylvan Gardens subdivision; its westerly 11± acres are located adjacent to the Abel Business Park.

Because of its location next to a low density neighborhood (the Sylvan Gardens subdivision), the City will be proposing that the parcel's easternmost area be considered for "Single Family Moderate" density (6 to 10 units per acre). Similarly, because of its location next to an industrial park development (the Abel Business Park), the City will be proposing that the parcel's westernmost area retain its existing "Industrial Park" designation. In the past, residents of nearby neighborhoods have voiced concern about the lack of a public park in the area. Therefore, consideration will be given to designating 3 to 5± acres of the eastern portion as "Local Park" to serve this site and the existing northerly residences.

With the proposed scenario, the east part of this site could yield 120 to 170± units--depending on whether or not the "Local Park" designation is approved along with the residential (as well as the location and size of such park lands). Note that the site is adjacent to the County's Correctional Facility and residences there could be difficult to rent or sell.

EASTERN ELMWOOD SITE: Two parcels of surplus land owned by Santa Clara County, located east of Elmwood, between the South Main Street and South Abel Street. One is north of West Curtis Avenue, is 10± acres in size and is designated "General Commercial". The other is south of West Curtis Avenue, is 20± acres in size, with its north 10± acres designated "Retail Subcenter" (i.e. neighborhood commercial) and the rest designated "General Commercial". A portion of the southern part of this site is proposed to be part of the Tasman-Capitol roadway and light rail right of way and/or a light rail station. Assuming 25± acres of the site are available for residential use, at 20 units per acre it would yield 500± units. Note that the site's proximity to the County's Correctional Facility (located on the west side of Abel Street) could make future residences there difficult to rent or sell.

CAPITOL/MONTAGUE SITES: Total 17± acres of mostly "under-developed" land (i.e. where there is a low amount of building/property improvements relative to land area) designated "Manufacturing", that could be redeveloped with more intensive residential building development. The sites include three trucking yards on the southwest side of Capitol Avenue (opposite the proposed Tasman Corridor Light Rail station) and a vacant 5± acre site on the southeast side of Montague Expressway (adjacent to the proposed Tasman Corridor Light Rail station). At 20 units per acre these sites could yield 340± units.

Although a residential neighborhood in North San Jose is fairly close-by, there are existing heavy manufacturing land uses (including chemical plants) adjacent to the subject sites. The Union Pacific Railroad is adjacent to subject sites.

"POTENTIAL HOUSING SITES" PROJECT -
PROPOSED WORK PROGRAM

June 1993	City Council approves \$100,000 budget for proposed Housing Sites Environmental Impact Report (EIR).
August 25	Planning Commission reviews and approves Housing Sites initial study and draft Request for Proposals (RFP) for Housing Sites EIR consultant.
September 15	Housing Sites EIR RFP sent out.
October 8	Notice of Preparation for Housing Sites EIR sent to State Clearinghouse and other outside agencies.
October 28	Certified/Earthmetrics chosen by staff selection committee as Housing Sites EIR consultant.
January 10	McCarthy informed City of intent to do his own specific EIR and GPA analyzing the potential of his site for residential use..
Feb. 1, 1994	City Council approved (amended Housing Sites EIR consultant contract.
March 21	McCarthy "Mixed Use" General Plan Amendment (GPA) application submitted.
April 8	Send out Notice of Preparation for McCarthy EIR.
April 25	Hold scoping meeting for McCarthy EIR.
July 1	Send Housing Site and McCarthy Draft EIRs out for public review.
Late August	45-day public review period for Housing Sites and McCarthy Draft EIRs ends.
Early November	Consultants submit Housing Sites and McCarthy Final EIRs.
Early December	Planning Commission holds Housing Sites and McCarthy GPA hearing (also reviews Final EIRs).
Early January	City Council holds Housing Sites and McCarthy GPA hearing (also reviews and certifies Final EIRs).

The City of Milpitas has identified six (6) separate housing sites to accommodate the 1,952 new housing units in order to meet the City's housing needs. The City recognizes there are opportunities and constraints associated with rezoning these sites to accommodate higher residential densities. There appear to be two types of constraints which should be addressed: 1) environmental, and 2) land use.

With regard to the environmental constraints, the McCarthy Ranch site is located within proximity to the Newby Island Landfill; however with proper site design considerations any negative environmental impacts could be mitigated to lessen and/or reduce impact to permit future residential development. The City realized in its analysis of the Milmont site that the western portion of the site contains wetlands and that this area would not allow future development, but could be considered for the use of open space. The land use constraints deal with existing commercial development on the K-Mart site. K-Mart is presently proposing to develop a new Super K-Mart at a separate location in Milpitas (Fleming Food Distribution site at I-680 and Montague Expressway). They have expressed interest in possibly abandoning their existing location, which we feel provides an excellent opportunity for future residential development.

The City of Milpitas feels that any site which is selected for higher residential densities will have opportunities and constraints regarding its future development. However, given the "minor constraints" that exist on some of the sites, appropriate planning techniques and principles (i.e. environmental review, site design, etc.) can be used to mitigate or reduce any significant environmental impacts and land use considerations.

Given the constraints associated with several sites, the City has hired an environmental consultant firm to prepare an environmental impact report to address these issues. Staff anticipates that this environmental review will be completed by November 1994.

Once the environmental impacts are addressed by the consultant, if any of the sites are deemed inappropriate for future residential development, the City of Milpitas will immediately begin to review and consider the remaining thirteen (13) secondary sites (identified in Section 9 Housing Sites-Pages 88-90). The following plan of action will be implemented:

Action Taken by City of Milpitas:

Schedule of Implementation:

1) Environmental Consultant completes EIR (identifies inappropriate housing sites).

November 1994

2) Staff informs City Council secondary sites will require review and additional resources needed for further environmental review.

December 1994

3) Staff prepares or amends consultant contract to review secondary sites, forwards

January-February 1995

to City Council for approval

4) Council approves contract for consultant to review secondary sites February 1995

5) Consultant prepare EIR on secondary sites February-July 1995

6) EIR completed, scheduling of General Plan Amendment hearings for the Planning Commission and City Council. August 1995

The original schedule identified January 1995 when the General Plan Amendment hearings would be before the City Council. Given the task (if necessary) of reviewing the secondary sites, an additional 6 months would be needed to prepare environmental review and staff reports regarding these sites.

Also, it should be noted that the selected housing sites could potentially yield from 3,160 to 4,710 new housing units (exceeding the City requirement of 1,955 units). Therefore, if any site is deemed inappropriate for future development, depending on the site and the number of potential units it can yield, there may not be a need to consider secondary sites.

Based on the submitted schedule above, after the consultant's environmental impact report is completed in November 1994, if any of the primary sites are deemed to be inappropriate regarding environmental impacts, the City of Milpitas will start reviewing the secondary sites in December (including environmental assessment) and will complete this process and schedule public hearings in August 1995.

OTHER VACANT SITES THAT COULD BE CONSIDERED FOR DESIGNATION AS RESIDENTIAL (see Map 1)

If, after the GPA hearings on the "Potential Housing Sites", the City does not approve enough sites to accommodate its identified housing need, then additional consideration would be appropriate to initiate additional GPAs for other vacant/under-developed sites in the City. Following is a listing of vacant sites in Milpitas that meet the above-described criteria used in the initial "Potential Housing Sites" evaluation and selection process, i.e. no Hillside Area sites, no commercial or industrial sites less than two acres, and no increased density for existing vacant residential sites unless the net gain was at least 100 units (with the maximum density being no more than twice that of any existing neighboring residences). Sites are presented/discussed in order of site size.

LANDS SOUTH OF HIGHWAY 237: 200± acres of vacant land located south of Highway 237, designated "Industrial Park" and "Highway Service". The existing street system divides this area into four "superblocks", ranging in size from 25± to 80± acres.

BERESFORD PARK II: 26± acres located east of North Milpitas Boulevard and north of Berryessa Creek designated as "Single Family Low" density subdivided into 121 lots--though the lots are recorded, no public or private improvements have been done to the site. Designation of this site to "Single Family Moderate" would allow development of up to 260± residences on this site (a net increase of 140±).

PORTION OF FLEMING FOODS SITE: 20-25+ acres, zoned "M2-S", at the northwest quadrant of I680/Montague, presently used as excess parking and landscaping for the food distribution center. An application to change this site to "General Commercial" has been submitted by K-Mart.

WESTERN ELMWOOD SITE: 19± acres, designated "Highway Service", located south of the Hetch Hetchy and north of the Tasman-Capitol Extension, between I880 and the Correctional facility.

SOUTHERN McCANDLESS: TECHNOLOGY PARK SITES: Three non-contiguous parcels (ranging between 1 and 7± acres in size) totaling 13.6± acres, designated "Manufacturing" and located along McCandless Drive between Montague Expressway and the Penitencia Creek Channel.

TOWN CENTER-PHASE II: 13+ acres on the east side of North Milpitas Boulevard, south of Berryessa Creek, designated "Town Center" commercial. The approved conceptual plan for the Town Center indicates retail uses on this site and a proposal has been submitted by the property owner, Shapell Industries, for a shopping center there. Since residential development of up to 40 units per acre is allowed in the Town Center with approval of a use permit, a GPA is not needed to allow residential projects to be proposed on this site. However, if it was considered appropriate to use this site to increase Milpitas' future housing stock, it would be advisable for the City to prepare and adopt a specific plan for the site which requires that a minimum number of units (e.g. 250) be developed there, either by themselves or in combination with commercial uses.

DIXON LANDING BUSINESS PARK SITES: Three non-contiguous vacant parcels (designated "Industrial Park") with a total area of 13± acres remain in the Dixon Landing Business Park.

BERESFORD TERRACE: 11± acres located at the end of Beresford Court designated as "Multi-Family Medium" density (7 to 11 units per acre) on which a 111 unit townhouse project was recently approved. Because the "Multi-Family High" designation allows density to be as low as 12 units per acre, it might be advisable, if it was found to be appropriate to use this site to increase future housing stock, for the City to prepare and adopt a specific plan for the site which sets forth a minimum density (for example, 20 units per acre).

NORTHERN McCANDLESS TECHNOLOGY PARK SITE: Two parcels (one 5± acres and the other 6± acres); located at the southwest and southeast corners of East Capitol Avenue and McCandless Drive and designated "Manufacturing".

HILLVIEW COURT: 9+ acres, designated "Town Center", at northwest quadrant 1680/Calaveras, adjacent to the Hillview Executive Office Park buildings and the Crown Sterling Suites Hotel. Since residential development of up to 40 units per acre is allowed in the Town Center with approval of a use permit, a GPA is not needed to allow residential projects to be proposed on this site. However, if it was considered appropriate to use this site to increase Milpitas' future housing stock, it would be advisable for the City to prepare and adopt a specific plan for the site which requires a minimum number of units (e.g. 150) be developed there, either by themselves or in combination with commercial uses.

SUNNYHILLS AREA: Three non-contiguous parcels, totaling 9± acres, located near the Sunnyhills Shopping Center: 0.9± acres on the south side of Dixon Road, just east of the shopping center; 3.8± acres at the northeast corner of Sunnyhills Court and North Milpitas Boulevard; and 4.3± acres on the west side of North Milpitas Boulevard, opposite the shopping center. The first two parcels are designated "Retail Subcenter" and the third is "Highway Service". A 47,800± addition to the Sunnyhills Shopping Center was approved in 1991 on the North Milpitas/Sunnyhills Court corner parcel; that Site and Architectural approval will expire in October 1993.

CENTRAL INDUSTRIAL AREA SITES: Seven non-contiguous vacant sites totaling 44± acres in the central "Manufacturing"/Heavy Industrial-zoned area bounded by Calaveras Boulevard, Interstate 680, Montague Expressway and the Union Pacific Railroad. The largest site is two adjacent parcels that, when combined, total 12.4 acres.

OTHER SITES NEAR CAPITOL AVENUE & MONTAGUE EXPRESSWAY: Three non-contiguous sites, totaling 31± acres, of mostly "under-developed" land uses (i.e. where there is a low amount of building/property improvements relative to land area, i.e. trucking, equipment storage and junk yards), designated "Manufacturing" that could be redeveloped with more intensive building development.

AFFORDABLE HOUSING

Background

Housing affordability refers to the financial ability of a household to rent or buy a housing unit. In general, a household eligible to rent or buy is determined by if monthly payments do not exceed 30% of the total household income. The lack of affordable housing has forced many households to spend more than a reasonable share of their monthly income for housing. However, because of the high cost of housing in California compared to the rest of the United States, typically speaking, many Californians are forced to spend beyond 30% of their monthly income for housing cost.

Recent studies have shown that less than 12% of the residents living with the San Francisco Bay Area are able to purchase their own home.¹ Specifically, within Santa Clara County where the median area income in 1990 was approximately \$52,100 (one of the highest in the State), it is still extremely difficult to provide affordable housing. The County has experienced a demand for housing that is greater than the current housing stock and increase in housing supply. From 1970 to 1980, new home prices rose from \$24,500 to \$133,00 a 444% increase, while the median income rose from \$11,282 to \$23,370, a 106% increase. Between 1980 and 1989, the median income rose by 98% to \$46,300, outpacing the rise in median home prices (55% increase to \$206,400).

The median price of a new home in the City of Milpitas in 1990 was approximately \$255,100².

Still as indicated from the statistics above, the average very low, low and in some cases moderate income households within the City of Milpitas cannot afford to purchase a home given the sky-rocketing cost of housing within the Santa Clara County.

Affordable Rental Units

The City's rental housing stock consists of apartments, duplexes, townhomes, condominiums, single family units, mobilehomes, and individual room rentals. It has been determined that there are more homeowner households than renter households within the City. In 1990, the U.S. Census Data indicates that of a total of 14,465 total units, 4,285 units were renter-occupied (29.6%) and 9,814 units were owner-occupied (67.8%). The remaining 366 units (2.6%) were identified as vacant. The City of Milpitas percentage of renter households is substantially lower than the average for the Bay Area communities as a whole. Approximately 47% of all households within the Bay Area are renters according to data from the U.S. Department of Labor.

No thorough study of rents in Milpitas has been conducted recently, however, an informal survey of (local realtors within Milpitas) conducted in 1990 indicates that monthly rental rates for two-bedroom apartments average approximately \$785 and \$855 for newer units. The U.S. Census Data indicates that the median gross rent in 1990 was \$869. These

¹ U.S. News and World Report-October 25, 1991

² U.S. Census Data 1990

high rental rates indicates the difficulty which many households have in finding affordable rental housing. Numerous factors determine the price of housing which a household can afford including the interest rate, mortgage instruments, down payment and personal assets above and beyond income.

Based on information obtained in the San Jose Mercury Newspaper (Rental Advertisement Section/Milpitas Units) during the fall months of 1990, the following average rates were calculated for the City of Milpitas:

<u>Average Rent</u>	<u>Size of Unit</u>
\$390	Room for Rent
\$535	Studio Apartment
\$683	1 Bedroom Apartment
\$785	2 Bedroom Apartment
\$890	3 Bedroom Apartment

The 1990 Housing Element, in conjunction with the 1990 Census data, states that 853 lower income households within the community are in need of rental subsidies. Of this total, 7.6% are elderly, 68.9% are small family and 23.5% are large family households. Also, 17% of these households were identified as very low income and 15% represent low-income housing.

Affordable Homeownership Households

With the median home price in Milpitas at \$255,100 the affordability dilemma becomes even more difficult. The average household would be required to have an income of approximately \$82,000 annually to be able to purchase a unit. This calculation is based on a 20% down payment with a fixed interest mortgage of 10% for a 30 year term (Note: this calculation does not take into account any Homeowners Association dues, property assessments, and/or utilities).

It appears that very low, low and most moderate income households would be priced out of the homeownership market within Milpitas. The only finance mechanism in which these homes could be affordable to this segment of the population is if the person already owns a home and could use the equity from the existing unit to buy down the mortgage amount for the new unit. For the majority of very low and low income households this scenario is very unlikely.

The other alternative would be some type of intervention into the housing market in the form of subsidies or public incentives (such as Mortgage Revenue Bonds, Redevelopment Tax Increment funds, etc.). In order to afford a unit for the average very low and low income household in Milpitas, that unit would have to sell for approximately \$85,000-\$95,000, which is approximately two and one-half times the average housing price.

However, it should be noted that the City of Milpitas did approve a 114 unit subdivision in which 44 of the units were going to be below market rate ("sweat equity"), and proposed

by First San Jose Housing, a nonprofit developer. First San Jose Housing used the City's Density Bonus Ordinance to increase the density from 87 units (standard subdivision) to 114 units on the site.

Existing Affordable Housing Support Programs

This section describes the affordable housing support programs and services that currently exist within Milpitas and Santa Clara County. These affordable housing services and opportunities are available in the following areas:

- 1) Rehabilitation of Existing Units
- 2) Existing Support Services
- 3) Home Purchase Assistance
- 4) Redevelopment Programs
- 5) Section 8 Rental Subsidies
- 6) Assisted Housing

Homeowner and Rental Assisted Housing:

There are currently a total of 1050 housing units in the City of Milpitas which have been financed with federal funds (homeowner assistance and rental assistance) and are available at affordable rents. These 1050 units represents approximately 7.2% of the City's 1990 total housing stock (14,465 units). The Homwowner assistance consists of HUD Section 235 (single-family detached, townhomes and condos), Section 221-d-3 (single family detached cooperative) and CDBG Rehabilitation (since 1977). The renter assistance consists of Section 236 rental rehabilitation (with moderate rehab), new construction and existing section 8 rent subsidies.

Rehabilitation of Existing Units

The City of Milpitas provides financial assistance for the rehabilitation of existing housing units through their housing rehabilitation program. The Housing Rehabilitation Program is designed to assist mostly low-income households. This program provides support to households with both financial assistance and construction supervision.

Approximately 10-20 units are rehabilitated annually in the City of Milpitas utilizing either CBDG funds, Rental Rehabilitation Program or Section 312 funds (when available). In fiscal year 1989-1990, the City of Milpitas provided over \$477,794 in funding for rehabilitation of rental and homeownership units.

Existing-Related Support Services

There are several nonprofit agencies that are offering housing related services within the South Bay Area. The majority of these agencies are funded in whole or in part through

CDBG funds through the County of Santa Clara Urban County Program. The City of Milpitas has provided CDBG funds to the following agencies:

- 1) Milpitas Housing Services Center-assists the homeless by referring individuals to other social service agencies.
- 2) Watch Program-shelter for battered woman and their children. This nineteen unit (38 families) program will continue to receive support from the City of Milpitas.
- 3) Mid-Peninsula Support Group- This group provide counseling and referral services to persons in need of information.
- 4) Catholic Charities-Operated by Catholic Charities and assist single parent households for the purpose of reducing housing costs
- 5) Project Match-This program matches persons with housing to share with other persons who need housing. Specifically, elderly households are a major priority.
- 6) Emergency Housing Consortium-Assists local Milpitas residents with regard to emergency shelter.

In fiscal year 1989-1990, the City of Milpitas provided over \$ 47,000 in funding through the CDBG program to several non-profit agencies involved in housing support services.

Home Purchase Assistance

Over the year, the City of Milpitas has participated in the "Mortgage Credit Certificate program sponsored by the County of Santa Clara. A total of 400 Milpitas households have received a Mortgage Credit Certificate through 1991. These certificates assist households in the moderate income range in purchasing a home by providing certain tax benefits. There is a specific dollar amount of certificates that can be issued statewide and there are also maximum sales prices associated with the program.

Redevelopment Program

The City of Milpitas Redevelopment Agency with the use of tax increment funding for housing has built the Terrace Gardens Senior Citizen project which consists of 150 rental units available to senior citizens at below market rate. 20% of every tax increment dollar is set aside to help produce additional housing opportunities in proportion to housing needs and income levels. The Agency has exceeded its obligation for the 20% set aside requirement. Other projects and monies were used to maintain and improve certain neighborhoods to encourage the preservation of the existing supply of low and moderate income housing.

The Redevelopment Agency is presently addressing affordable housing pursuant to AB 1290 which mandates the inclusion of affordable housing as a percentage of the residential units developed within a redevelopment project area. Approximately 15% of all units constructed or rehabilitated in the project area will be available at affordable rates to persons of low and moderate income. At least 40% of the 15% described (that is 6% of the total units produced) will be available at affordable housing cost to very low-income households. Covenants will be recorded against the property which maintain the affordability restrictions for the longest feasible time.

The Agency is also preparing a plan including AB 315 (adoption of a plan for each project area which outlines the Agency's ten-year strategy for compliance) which will reinforce the Agency's obligation to create affordable housing units.

Section 8 Rental Subsidies

The City of Milpitas has approximately 201 households (183 certificates and 18 vouchers) that receive rental assistance through the existing Section 8 program as operated by the Housing Authority of the County of Santa Clara. Of the total of 183 certificates, 148 are family households and 35 are elderly persons. Of the total of 18 vouchers, 10 are elderly persons and 8 are disabled persons. This program provides financial subsidy paid directly to the landlord and the amount of the subsidy is dependent on the household income, family size, and actual unit rent. Rental units are privately owned and the tenant can choose where they live as long as the selected rental unit meets certain housing criteria.

The Section 8 existing program is very popular and there currently is a long waiting list for households who request assistance. Approximately 428 families with Milpitas listed as their residence are on the current waiting list. Of this total, 63 are families (2 or more persons living together) and 365 are elderly and disabled.

Because there are not enough Section 8 resources available to accommodate the demand, households are waiting long periods of time for Section 8 subsidies. The County of Santa Clara Housing Authority has indicated their waiting list for those families seeking subsidized housing closed in February 1988, however, the list for elderly and disabled persons remained open. These households will have from a 1 to 20 year wait to receive subsidized housing. The overall need for subsidized housing within the Council of Santa Clara is approximately 14,000+. The fair market rents as established by HUD for the San Jose Metropolitan Area are as follows:

Section 8 Existing Fair Market Rents (as of October 1993)

Studio Apartment	\$678/per month
One Bedroom	\$773/per month
Two Bedroom	\$954 /per month
Three Bedroom	\$1308/per month
Four Bedroom	\$1469/per month
Five Bedroom	\$1689/per month
Six Bedroom	\$1910/per month

Mobile Home Space	\$365 (Single Wd)
Mobile Home Space	\$426 (Double Wd)

Source: County of Santa Clara Housing Authority: October 1, 1993

The Fair Market Rents are the maximum allowable gross rents including utility allowances. Unit condition and location are a consideration in determining rent reasonableness.

The City will continue to explore various methods (including inclusionary zoning, in lieu of fees, etc.) to provide and encourage a variety of housing types for all segments of our community. Non and for profit developers are encouraged to use the City's Density Bonus Ordinance to obtain necessary incentives, concessions and financial assistance for their projects. The City will maintain its support for those existing programs which presently assist low and moderate income households.

If additional funding sources become available, the City will continue to provide the leadership and appropriate actions to address affordable housing within the City of Milpitas.

PUD - GENERAL PLAN EXCERPTS

The upper limits of both multi-family density ranges are obtainable only through special PUD approvals as incentives for outstanding design or other features. Provided, however, that an overall density of up to 40 units per gross acre can be approved on lands planned for "High Density" if the following criteria are met:

- Sewer and water service must currently be sufficient or capable of being made sufficient to accommodate the density requested as well as other future planned development downstream from the project site. Any improvements to the sewer or water system that would be required to accommodate any such higher density proposals shall be made conditions of project approval.
- Traffic from increased density must not cause any local street intersection to worsen its Level of Service below "E" (i.e. Volume/Capacity greater than 0.99), when added to exiting traffic volumes plus estimated traffic from approved, undeveloped projects and future, foreseeable projects. When calculating the Level of Service impacts, future planned or proposed roadway improvements shall be factored into the analysis and, where the site is proximate to potential rail transit facilities, and appropriate factor for reduced traffic generation may be utilized.
- The architecture of such higher density projects shall not have adverse impacts in terms of shadows, view obstruction or loss of privacy that are not mitigated to acceptable levels.

PUD - ZONING ORDINANCE EXCERPTS

In the case of proposed residential development in the Valley Floor Planning Area, the maximum dwelling unit density per gross acre (which includes the area to the center line of adjoining public streets) shall be the upper limit of the corresponding General Plan designated density range within each zoning designation. Said density figure shall be as approved by resolution. Provided, however, that in the case of Valley Floor residential development proposed on land zone "R3" (Multiple Family Residential) an overall density of up to forth (40) units per gross acre can be approved if the following criteria are found by the City Council to be met:

- Sewer and water service must currently be sufficient or capable of being made sufficient to accommodate the density requested as well as other future planned development downstream from the project site. Any improvements to the sewer or water system that would be required to accommodate any such higher density proposals shall be made conditions of project approval.
- Traffic from the increased "R3" density must not cause any local street intersection to worsen its Level of Service below "E" (i.e., Volume/Capacity greater than 0.99), when added to existing traffic volumes plus estimated traffic from approved, undeveloped projects and future, foreseeable projects. When calculating the Level of Service impacts, future planned or proposed roadway improvements shall be factored into the analysis and, where the site is proximate to potential rail transit facilities, and appropriate factor for reduced traffic generation may be utilized.
- The architecture of such higher density projects shall not have adverse impacts in terms of shadows, view obstruction or loss of privacy that are not mitigated to acceptable levels.

SECTION 10

PRESERVATION OF ASSISTED HOUSING

INVENTORY OF UNITS AT RISK OF LOSING USE RESTRICTIONS

Section 65583 (a) (8) of the Government Code requires an analysis of the existing assisted rental housing developments that are eligible to change to market rate units during the next 10 year period due to the termination of the use restrictions. This analysis includes the name of the project, its location, earliest possible date of conversion to market rate use, and the total number of elderly and non-elderly units which could possibly be lost from the low-income housing stock. This analysis also includes an estimate of the total cost of producing new replacements of the housing units and an estimated cost of preserving the assisted housing development.

Presently, the City of Milpitas has one federally subsidized project (with income affordability restrictions). Sunnyhills Apartments, which were previously at risk of being converted from subsidized units to market rate units, contains 171 units on 13± acres and is located at 1724 Sunnyhills Drive in the northeast portion of the City of Milpitas (see attached map). The units range from 427 square feet for studios to 1309 square feet for 4 bedroom apartments. Of the 171 units, the Sunnyhills Apartments includes the following tenant profile:

- 1) 149 Units (Very low-50% of the median income)
- 2) 6 Units (Low income-51%-80% of the median income)
- 3) 0 Units (Moderate income-80% of median income).
- 4) 15 Units (Market rate over-95% of median income)
- 5) 1 Employee (non-revenue producing unit)

Of the 155 Very Low and Low Income units, 104 residences are receiving rental assistance through Section 8 voucher or certificate programs. Of the 104 units with restrictions, 79 units are restricted for the elderly. As part of the agreement for the units to remain below market rate, HUD has allowed a modest increase in rental payment over a three (3) year time period to be phased in equally. Funds have been placed in reserve to provide an additional 45 units of Section 8 to be used only for Very Low Income tenants. As residents with vouchers or certificates move out of the project, or their Section 8 voucher or certificate contract expires, the owners may utilize the remaining balance in the Section 8 contract up to a maximum of 149 units.

The 45 additional units of Section 8 for the Very Low Income consist of the following unit breakdown:

<u>Number of Units</u>	<u>Type of Units</u>
7	Studios
13	1 Bedroom Units
17	2 Bedroom Units
8	3 Bedroom Units

The 5 year budget authority for the additional 45 units is approximately \$2.2 million authorized by HUD.

All Section 8 tenants will not pay more than 30% of adjusted monthly income for rent. Other residents monthly payments may have to be phased in over a period of time, in order to meet the statutory requirements concerning rent increases for current tenants.

When the City of Milpitas first submitted its 1990 Housing Element (March 1991) to Housing and Community Development, the owner, JMK Sunnyhills Investors II, had submitted a Notice of Intent to the Department of Housing and Urban Development (HUD) to prepay their mortgage pursuant to Section 220 and 221 of the Low Income Housing Preservation and Resident Homeownership Act of 1990 (LIHPRHA)

The contract with HUD for the mortgage term agreement on the restrictions and affordability of the rental units would have expired in April, 1992. The property owner, JMK Sunnyhills Investors II, filed a Plan of Action (under the Emergency Low Income Housing Preservation Act of 1987, the Housing Reform Act of 1989 and the Plan of Action Standards and Criteria as set forth by the Secretary of Housing and Urban Development) in March of 1991, regarding their proposal to prepay the mortgage and terminate the low income affordability restrictions. On March 29, 1991, HUD sent a letter to the property owners, responding to the Plan of Action and outlining the deficiencies in their proposal.

Subsequently, the Sunnyhills Investors II submitted a revised Plan of Action in December 1991, seeking incentives to extend the low income use under the LIHPRHA Section 219 or transfer to qualified purchasers who would retain such use under Section 220, subject to the applicability of Section 221 and 224. The Sunnyhills project first mortgage is insured under Section 236 of the National Housing Act. The initial Section 8 contract rents were as follows:

Studio	\$615.00
1 Bedroom	\$700.00
2 Bedroom	\$850.00
3 Bedroom	\$1050.00
Four Bedroom	\$1200.00

The Section 8 gross contract rents, which include Personal Benefits Expense, are as follows:

	<u>Net Contract Rent</u>	<u>PBE</u>	<u>Gross Contract Rent</u>
Studio	\$615.00	\$32.00	\$647.00
1 Bedroom	\$695.00	\$36.00	\$736.00
2 Bedroom	\$850.00	\$44.00	\$899.00
3 Bedroom,	\$1050.00	\$54.00	\$1104.00
4 Bedroom	\$1115.00	\$65.00	\$1265.00

All current lower-income tenants who now receive Section 8 will continue to do so. Also, very low-income single tenants who are not elderly or disabled will receive Section 8, even though they are normally not eligible. Section 8 contract rents will not exceed the lesser of the Section 8 existing fair market rents (FMR's or comparable market rents).

Current lower and moderate income tenants (maximum rents), will pay rents not exceeding 30% of their adjusted gross income, unless the floor rent table (approved by HUD) is applicable. The tenants rents must be phased to this amount, according to restrictions imposed by Section 225 (b) of the 1987 Housing Act, and at no time exceed this amount or the existing FMR's or the appropriate rents determined by the Factored Rent Schedule approved by HUD.

Rent increases for Section 8 contract units will be set in accordance with whatever method is employed by HUD on the anniversary date of the contract. The increased rents will not exceed those obtained by applying the annual adjustment factor or comparable market rents, whichever is less.

In the event that a very low, low, or moderate income resident vacates the project, the owner agrees to maintain proportionality in accordance with Section 225 (b) (3) (f) of the 1987 Housing Act and rerent only to a very low, low, or moderate income classified applicant in accordance with the proportional ratios described in the approved Plan of Action by HUD.

Future very low income persons and families shall be assisted by Section 8 and pay 30% of their monthly adjusted income for rent.

The revised Plan of Action was approved by HUD in January of 1992. The plan will remain in effect until the maturity of the original mortgage on October 1, 2011. The property owners have executed all documents required by their prepayment regulations to retain the housing as affordable for very low, low, and moderate income residents for the remaining term of the mortgage.

Therefore, the earliest these units could be considered for conversion from below market rate units to market rate units would be in the year 2011 which is beyond the ten year analysis time period. Within the next ten years, the use restrictions on the 149 units will not have expired. Subsequently, there should be no potential in converting these units to

market rate units. If there is a transfer of ownership, these restrictions would still be applicable to the new owner.

The Sunnyhills Apartments, which was previously listed on the Inventory of Federally Subsidized Rental Units At Risk of Conversion 1990, has been removed from this listing based on the approved Plan of Action accepted by U.S. Department of Housing and Urban Development. The 20 year agreement between HUD and JMK Sunnyhills Investors II (property owners) includes affordability restrictions on the units at risk. These restrictions are in effect until October 1, 2011.

The City of Milpitas will continue to monitor the Plan of Action Report and provide any additional support (including monetary if appropriate funds are available) to maintain the income restrictions and affordability of these units.

Findings for Jurisdictions without Affected Units:

The City of Milpitas has no locally-subsidized units at risk, subsidized by either mortgage revenue bonds, density bonuses with financial assistance, an in-lieu fee program, redevelopment or CDBG funding assistance.

Although the City of Milpitas does administer several of these types of funds and programs (CDBG, Redevelopment Agency, and Density Bonus), it does not affect the Sunnyhills Apartments or any other at risk units. Included below is a further explanation of the manner in which these funds and programs have been used:

Community Development Block Grant Funds

The City of Milpitas has used its Community Development Block Grant funds to assist the rehabilitation of five fourplex units; however, there were no income restrictions nor any units at risk associated with the multi-family units.

Redevelopment Programs

The City of Milpitas Redevelopment Agency completely financed the Terrace Garden project. This project is a 150 unit multi-family Senior Citizen complex. These units are not at risk because the Redevelopment Agency has required through their financial and rental agreements that all 150 units have to remain below market rate for the entire lifetime of the project.

Density Bonuses-Government Code Section 65916

The City of Milpitas has approved a 114-unit single family project (submitted by First San Jose Housing, nonprofit developer), which includes 44 "Sweat Equity" units below market rate. These 44 units will have income restrictions on resale for continuation of affordability. As required by the Density Bonus pursuant to state law, a 30 year affordability period is part of this project approval. Also, as part of this project approval, the Redevelopment Agency deferred development type fees, subject to further

agreements to be executed prior to recordation of the final map. There are no units affected or at risk in this project.

In conclusion, the City of Milpitas has used a variety of financing and programs to assist in continuation or rehabilitation of affordable housing; however, the past and present use of these funds and programs does not affect any existing units at risk or conversion within the City of Milpitas.

Attached as required is a copy of Attachment "A" Checklist to Confirm Lack of At-Risk Units Pursuant to Government Code Section 65583(A) (8)

SECTION 11

ANALYSIS OF THE CITY'S HOMELESS POPULATION

The need for shelters for homeless persons and families has become a major issue during the 1980's. All levels of government-Federal, State, and local, are funding programs to assist in the provision of shelter.

Recent amendments to housing element law (Section 65583 (c) (1)) require local governments to plan for the provision of shelters and transitional housing for homeless persons and families. The specific amendment requires an identification of adequate sites which will be made available through appropriate zoning and development standards along with public services and facilities needed to facilitate the development of emergency shelters and transitional housing.

It has become the responsibility of local government to ensure that the regulatory process actually encourages the development of conversion to or use of a shelter or transitional housing. Local government is encouraged to adopt development standards for discretionary items such as parking, densities, etc. and to provide an expeditious permitting process. Another encouraged alternative is to include emergency shelters and transitional housing as permitted uses in one or more zone districts rather than having them subject to conditional use permits. HCD has indicated the optimum shelter size is from 20 to 40 beds and that a shelter should be kept small.

County of Santa Clara Homeless Population:

With regard to the homeless population within the County of Santa Clara which directly affects the City of Milpitas, the County has prepared a report on Homelessness (Title: Homelessness in Santa Clara County, 1989, New Faces and Hidden Cost). This report was prepared by the County's Homeless Overview Study Task Force which estimated that there are between 1800-2000 homeless individuals on any given day in the County of Santa Clara. The major reason for homelessness in the County was the lack of affordable housing (average cost of housing in Santa Clara County \$250,000+ with rents approximately \$850+/per month). Because many of the homeless were identified in the study to be substance abusers or mentally ill, these individuals have little or no income and are unable to afford decent shelter or housing throughout the County.

There are other reasons or circumstances which affect an individual's ability to afford decent shelter or housing including: households in which the family head has lost their job (given the current state of California economy), or limited income which is insufficient to meet median rents or housing prices. Many of these individuals are forced to join the

ranks of the homeless after loss of job, the lack of shelter and other desperate means to stay afloat. Other alternatives are living with relatives, combining incomes, and emergency shelters.

The Homeless Population within City of Milpitas:

There are no emergency shelters located within the City of Milpitas; however, the Milpitas Housing Services Center assists the homeless by referring individuals to other service agencies. The Milpitas Housing Service Center staff estimates that they usually assist one to two individuals or families each week especially during the cold weather season (September-March). The Milpitas Housing Services for the homeless can be contacted through the City of Milpitas and/or other social services referral agencies within Santa Clara County.

Staff has requested research and data regarding the homeless population within the City of Milpitas from various social service agencies. The Emergency Housing Consortium (which is designated to assist Milpitas residents for the County of San Clara based on their allocation of shelters for individuals and families) has provided their shelter demographic report on Milpitas residences during the period from July 1, 1992 to March 30, 1993. They have identified 52 persons who listed a Milpitas zip code (95035-95036) as their last residence when applying for shelter relief. They represented a total of 36 families, including 41 single males, 11 single females, 5 females head of household and 1 senior citizen. A total of 2,437 Personal Shelter Days were recorded for the 52 individuals during this time period. All 52 individuals were identified as below low and no income levels. The demographic profile includes the following:

22	Whites
17	Blacks
8	Hispanics
1	Native American
2	Asians
1	Other

Another 10 adult males were identified in a separate armory demographic report, with 115 PSD recorded from July 1, 1992 to March 30, 1993.

Emergency Housing Consortium has identified a total of 2,552 Personal Shelter Days (PSD) and 62 individuals who listed their last residence within the City of Milpitas during this time period.

The homeless in Milpitas are most visible on the city streets (Sign: "will work for food or money") specifically in local shopping centers. These homeless individuals are mostly single men ranging from 30 to 60 years of age. Some appear to be substance abusers or mentally ill. The City of Milpitas Police Department has also identified cars, railroad tracks, and bus areas as the most visible areas where the homeless congregate.

The Milpitas Police Department receives approximately 3 to 4 calls per month dealing with a homeless person situation (public nuisance, living in unhealthy or unsanitary

location, etc.). When an individual is approached the Police Department provides assistance by informing the homeless individual about the County Social Service Agencies and from time to time by providing a ride to the nearest bus stop or sometimes the County Government Building. The Police Department has also received a small fund from the United Way to provide food, shelter or transportation. The Police Department has also responded to various types of emergency phone calls dealing with the homeless.

Because the City of Milpitas has a limited homeless population and does not have the facilities to accommodate their shelter, any homeless person(s) would most likely be referred to one of the County's emergency shelters located in downtown San Jose. Women and children would be referred to one of the County facilities in San Jose specially designated for their needs.

Though the City of Milpitas' estimated homeless population may be considered low compared with some surrounding cities, the City takes this issue very seriously with regard to the quality of life for all segments of the population. The City will continue to monitor the homeless population activities and provide as much assistance as available resources will allow. The City will continue to actively participate in the County's Homelessness Overview Task Force (providing data, information, comments, etc.). The City has adequate mechanisms in the Zoning Ordinance (zoning districts, development standards, density bonus and other policies) to accommodate these facilities and uses. If there is a proposal to develop a facility for the homeless in Milpitas, there will be the appropriate planning mechanism in place to review and accommodate such proposed uses.

Providing Emergency Shelter and Transitional Housing within the City of Milpitas:

It is the City's objective to assist in obtaining emergency shelter to provide an immediate solution to homelessness. Usually, this involves limited supplemental services and shelter for a short period of time (several weeks to 2 to 3 months maximum time period). The shelter includes use of beds, bathroom facilities, and a common kitchen area.

Transitional housing should be designed to remove the basis of homelessness. This type of shelter should be provided for an extended period of time (perhaps as long as 18 months), and generally includes integration with other social services and counseling programs to assist in the transition to self-sufficiency through the acquisition of permanent income and housing. This could more than likely be accommodated through the use of single room occupancy (SRO's), the renting of a room within a house (which is already permitted in the single family residential districts), or the renting of a single family house or apartment.

It should be noted that the City also provides assistance to the WATCH (women and their children housing) program in which 19-units of shelter for battered and abused women (and 38 families) are available. The City of Milpitas has provided a low-interest loan of \$50,000 in the block grant funds and also \$60,000 in grants to assist Community Housing Developers to acquire and rehabilitate this program. The City will continue to support this program and seek additional units to assist the program.

Planning Policies and Procedures for Emergency Shelters and Transitional Housing:

It has become the responsibility of local government to ensure that the regulatory process actually encourages the development of, conversion to, or use of, emergency shelter and/or transitional housing. Local governments are encouraged to adopt reduced development standards for discretionary items such as parking, or to provide an expeditious permitting process.

The appropriate zoning districts stated below have been identified by the City of Milpitas as potential sites to accommodate emergency shelter and transitional housing. The City of Milpitas will be scheduling the formal public hearing to amend the Zoning Ordinance to accommodate the text changes.

The following are recommended text changes, or in some cases new texts to the zoning ordinance.

Add the following definitions:

- 1) Amend definition section of the Zoning Ordinance to allow the flexibility for churches to include various types of shelter for the homeless
- 2) Include definitions in the Zone Ordinance for:
 - a) Transitional Housing
 - b) Emergency Shelter
- 3) Amendment to specific zoning districts (R3, C1, C2, HS, MP, M1, and M2 to permit transitional shelter and emergency housing by permitted/conditional use depending on the number of units proposed. Staff proposes that any shelter which contains 12 or more beds and/or individuals would be subject to the use permit process.
- 4) Amendment to the Parking Section of the Zoning Ordinance to reduce the required number of parking spaces needed for transitional housing and emergency shelter.

The City would also strongly encourage the use of the Density Bonus Ordinance which would allow for greater densities and provide incentives and concessions (reduced development standards, financial assistance, etc.) to transitional housing and emergency shelter projects.

The City has adopted a Density Bonus Ordinance which provides for incentives and concessions to be considered by the City based on the proposed tenant profile (20% of total units designated for very low/low income households). For one project yet to be constructed City has granted concessions with regard to lot sizes, setbacks, and open space requirements. A deferral of development type fees in which the Redevelopment Agency funds were used to offset these fees was part of this approval.

The City will encourage any developers (non-profit or for profit) interested in the construction, rehabilitation or renovation of emergency shelter or transitional housing to consider the Density Bonus Ordinance with regard to concessions. The City would consider deferral of certain types of fees to assist these projects, subject to available funding.

Within the City of Milpitas a number of churches provide limited outreach services and programs to the homeless population. The City staff will be contacting these churches along with other local social service agencies within the City to determine what assistance the City could provide with regard to emergency shelter and transitional housing. Regulatory procedures will be examined to assist them in their services and to expedite the planning and building review process. The City will also assist them in determining what Federal, State, and local funding and programs are available for the homeless population.

The City of Milpitas will be scheduling public hearings on text amendments to the Zoning Ordinance and Housing Element to incorporate the definitions, uses in specific zoning districts, and parking in the Spring of 1994 (April-May). Because an environmental assessment is required of the potential housing sites, this matter (homeless population) will be agendaized prior to the completion of the environmental impact report for the housing sites.

(Above Underlined-Addendum to Homeless Population Report)

SUMMARY:

The City of Milpitas recognizes that the reported 38 individuals identified by the Emergency Housing Consortium all have special housing needs. The major need is providing permanent income (especially to the elderly, handicapped, single parent etc.) to allow them to afford decent shelter or housing (renting in most cases, subsidized housing or participating in affordable housing programs). Special attention should be given to the elderly, handicapped, female single parent and children.

After identifying the homeless population and their problems within the City of Milpitas, the strategies and the implementation of actions stated above will encourage the construction, rehabilitation and/or renovation of emergency shelters and transitional housing within the community.

In conclusion, the City of Milpitas is taking steps to identify sites through appropriate zoning districts and has scheduled to implement planning tools and mechanisms (text amendments, general plan and zone change, when necessary, Streamlining the permit

processing of applications and considering reduction of fee to encourage the construction, development and/or conversion of dwelling units) to accommodate emergency shelter and transitional housing.

The City of Milpitas will continue to actively assist in supporting and encouraging the homeless population and to improve their social and economic status including their overall living conditions within the city.

SOURCES:

Homelessness in Santa Clara County 1989-New Faces and Hidden Costs
Prepared by: Homeless Overview Study Task Force/Homeless Overview
Technical Committee.

The Homeless Families Program-The Robert Wood Johnson Foundation
Contact Person: Tomi Gomory, Project Director

State Of California Department of Housing Community Development
Shelter for the Homeless: Housing Element Requirements (FEMA and/or
Emergency Shelter Program-Santa Clara County Mr. Jim McEntree, Sr. Human Relations
Committee).

California Homeless and Housing Coalition-Directory of Services for Homeless People in
California 1991

City of Milpitas Police Department-Police Chief Frank Acosta

SECTION 12

HOUSING IMPLEMENTATION PROGRAM

Objectives: In accordance with State law and as discussed in Section 1 "Summary", the Association of Bay Area Governments (ABAG) has estimated the need for additional housing in Milpitas.³⁵ As illustrated in Table 9, Milpitas will come very close (93%) to meeting ABAG's total projections, when alternative zoning is not factored in:

TABLE 9
ABAG FAIR SHARE PROJECTIONS

Planning Period	Projected Need	Actual/Projected Construction (% of Projected Need Met) ³⁶
1988-90	2,000	1,335 (67%)
1990-95	1,709	2,351 (138%)
1988-95	3,709	3,685 (99%)

ABAG considered standard factors such as population and employment, as well as the availability of suitable housing sites, to develop their housing needs estimates. However, the California Attorney General ruled in 1987 that ABAG's, and other Council of Governments, estimates of suitable housing sites "must be considered based not only upon the existing zoning ordinances and land use restrictions of the locality, but also based upon the potential for increased residential development under alternative zoning ordinances and land use restrictions."³⁷ Thus ABAG also estimates housing assumptions that our currently planned land uses and restrictions may change. Based these assumptions ABAG estimates there will be a need for 5,638 new dwelling units by 1995; however Milpitas estimates that it will achieve 65% or 3,662 new units under current planned land use and regulations. The Milpitas City Council in May of 1993 has identified six (6) separate housing sites to be considered for rezoning for higher densities for residential development. An Environmental Impact Report (EIR) is presently being prepared by a consultant to address the environmental issues associated with each site. The sites are listed below and shown on the attached Map :

³⁵ Government Code Section 65583

³⁶ Valley Floor Hillside

³⁷ California Attorney General, Opinion #87-206

- a) **McCarthy Ranch Site** - located in the northwest quadrant of SR 237 and I-880. The site contains approximately 220+ acres. The applicant is presently preparing a separate environmental impact report to address five (5) mixed use development alternatives (commercial, industrial and various residential densities) for this site. The residential alternatives range from 625 to 2,043 dwelling units. Assuming that a minimum of 50 to 100 acres of the site is developed for residential use at a minimum 15 units per acre, it would yield between 750 to 1500 units. The City of Milpitas has indicated to the developer that it prefers a minimum of 1,000 units for this site.
- b) **Eastern Elmwood Site** - two parcels located east of Elmwood between South Main Street and South Abel Street. The two parcels contain approximately 30+ acres total. Assuming that 25+ acres of the site is developed for residential use at 20 units per acre it would yield 500 units.
- c) **Milmont Site** - located north of Dixon Landing Road. The site contains approximately 24+ acres. Assuming that 20+ acres of the site is developed for residential use at 20 units per acre, it would yield 480+ units. Staff has met several times with the developer on conceptual site plans for this site.
- d) **Northern Elmwood Site** - located north of Elmwood Correctional Facility, across from the 80 foot wide Hetch Hetchy right of way. The site contains 28+ acres. Because of its location next to a low density neighborhood, staff recommended a moderate density (6 to 10 units per acre) designation for this site. Assuming that the site is developed for residential at 6 to 10 units per acre on 20+ acres, with a small local park at 3 to 5 acres to serve this portion of the community, the site would yield 120 to 200 units.
- e) **Existing K-MART Site** - located on large existing commercial site on Weller Lane and Abel Street. Presently, they are looking for new location within the South Bay. The site contains approximately 11+ acres. Assuming that 10+ acres is developed for residential use at 20+ units per acre, the site would yield 200 units.
- f) **Capitol/Montague Site** - located at Capitol Avenue and Montague Expressway, under-developed land uses (where there is low amount of building/property improvements related to land area, e.g. trucking, and equipment storage yards). The site is within 1/4 mile of the proposed light rail transit station. The site contains approximately 29+ acres. Assuming that 25+ acres are developed for residential development at 20 units per acre, the site would yield 500 units.

The potential number of dwelling units based on the proposed sites ranges from 2,125 to 4,000. It should be noted that if any of the primary selected sites are deemed inappropriate for higher density residential development, the City has identified secondary sites (see discussion on pages 87 to 89) for consideration.

As indicated in Section 5 "Housing Needs", ABAG has broken down the housing needs identified in Table 10 by income categories. It is projected that Milpitas will meet the following needs for the five year planning period.

Table 10
ABAG FAIR SHARE PROJECTIONS BY INCOME CATEGORIES
1988-1995

Income Category	Projected Need (5 of total projected need)	Actual/Projected Construction (% of projected need met)
Very Low	631 (17%)	148 (23%)
Low	556 (15%)	401 (72%)
Moderate	816 (22%)	1,076 (132%)
Above Moderate	1,706 (46%)	2,060 (121%)
Total:	3,709 (100%)	3,685 (99%)

There are several factors affecting Milpitas ability to achieve 100% of the regionally determined housing needs under the present alternative zoning scenario including:

The lack of available and affordable land for residential development;

An unpredictable economy and housing market;

Neighborhood concerns and opposition to new projects, specifically high density residential development (NIMBY);

Restrictions on property development (i.e. Williamson Act);

Environmental conditions that would make the site unsuitable, or too expensive to develop, for residential or for housing affordable to lower income households;

Restrictions related to and depending on the availability of Federal and State programs and funding; and

Traffic congestion that is due to, and needs to be addressed by, policies and actions of governmental agencies other than the City of Milpitas.

Programs and Funding

The following programs and funding sources will contribute to housing assistance objectives and achievement of the five year goals:

Community Development Block Grant (CDBG):

The City of Milpitas currently participates and receives funding as a member of the Urban County under the Federal Community Development Block Grant Program. The Urban County is composed of eight cities within Santa Clara County with population of less than 50,000. Since the City of Milpitas population is over 50,000 (approximately 57,000), the City will be exploring becoming an entitlement city once the contract with the County expires.

The City is presently working with Bridge Housing Corporation, a non-profit housing organization regarding the rehabilitation of housing units (Casa Grande Housing site) within Milpitas and the acquisition of property to develop a median and high residential density site (Eastern Elmwood). The development proposal for the Elmwood site is approximately 200-300 affordable dwelling units. The City and Urban County CDBG funds have contributed \$225,000 to date on these projects. Other CDBG assistance to housing programs and services are indicated in Section 9 (existing-related support services).

The Housing Rehabilitation Program

This program provides low interest loans and grants to rehabilitate owner-occupied single-family homes throughout the City. Under the program, Milpitas expects to provide assistance to 30 low and moderate income households within the next few years.

The Rental Rehabilitation Program:

This program provides low interest loans to acquire and/or rehabilitate rental properties. Due to limited CDBG funds and lack of interest by the private sector, the City does not anticipate allocating funds for rental rehab. If more funds become available and market changes make participation in a public program attractive to private investors, the City will reconsider the feasibility of funding the program.

Mobile Home Rehabilitation:

This program was previously adopted by the City. However, prior to the program's implementation, the Federal Department of Housing and Community Development (HUD) ruled that only structures with permanent foundations were eligible for assistance using federal funds. Until the ruling is rescinded, Milpitas will be unable to continue to provide rehabilitation assistance for mobile homes under the CDBG program.

As a member of the Urban County, the City participates in other programs related to provision of housing. The amount and distribution of funding to these projects is dependent on CDBG resources, individual program performance and future application submittals. Some of the programs currently receiving financial assistance from the Urban County include:

- a) **The Fair Housing Consortium**, composed of six non-profit agencies, provides a variety of assistance relating to equal housing opportunities. The

Services provided by the following agencies are not conducive to quantification of the five year objectives:

- 1) Milpitas-San Jose Housing Service Center
- 2) Disability Law Center
- 3) Asian Law Center
- 4) Operation Sentinel
- 5) Mental Health Advocacy
- 6) Mid-Peninsula Citizens for Fair Housing

b) **Shared Housing and Project Match**, are two non-profit agencies that provide assistance in establishing shared living arrangements. **Housing for Independent People** and **Access California**, are non-profit programs that develop and rehabilitate housing for disabled individuals. **The Citizens Home Energy Conservation Program (CHEC)**, provides weatherization services for low income owner or renter occupied housing units. Due to the small number of potential clients, and the specificity of the service provided by the above listed agencies, an estimate of the number of Milpitas households that will receive assistance by not 1995 cannot be anticipated.

c) **The Emergency Housing Consortium**: is a non-profit agency that provides housing on a temporary basis to the homeless population and those in need of emergency transitional housing in Santa Clara County.

In 1991, the City approved \$125,000 of block grant monies to help fund a "self-help" project proposed by First San Jose Housing, a local nonprofit housing development corporation. The 15+ acre site, located at the northeast quadrant of West Capitol Avenue and I-880 and owned by the County of Santa Clara, was subdivided for 114 single-family dwelling units, 44 of which would be sold to lower income purchasers (80% or less of the median income) through a "sweat equity" program. Under the sweat equity program, the purchasers contribute a considerable amount of labor to build the homes in lieu of a monetary down payment.

Although initial subdivision approvals have been received, the project funding (from the City, the County of Santa Clara, CHFA and private foundations) is presenting in doubt.

Mortgage Revenue Bonds:

Milpitas has provided for the issuance of mortgage bond funding as allowed under State and Federal law. (Also see Section 8 "Program Performance"). These tax-exempt bonds provide mortgage financing assistance for the low and moderate income home buyers (less than 150% of County median income) in approved new housing projects. Further use of mortgage revenue bonds is contingent on State and Federal lawmakers continuing to provide enabling legislation. The City will continue to encourage housing developers to use mortgage revenue bonds whenever feasible.

Milpitas Housing Service Center:

The Milpitas Housing Service Center operates an office within the City and provides tenant/landlord counseling, legal services, housing discrimination assistance and default and foreclosure counseling. The Housing Service Center also receives support monies from the City's Human Services Fund and from CDBG funding from the Urban County, of which Milpitas is a member. It is anticipated that the Housing Service Center will continue its present mode of operation and receive funding for its services from the City.

Santa Clara County Housing Authority:

In addition to the previously discussed housing programs and services funded by the City from variety of sources, Milpitas identifies and refers those individuals needing assistance to the Santa Clara County Housing Authority. The Housing Authority administers a variety of programs under Federal funding. The Moderate Rehabilitation Program, for instance, provides financial assistance to rehabilitate rental properties, provides Section 8 rent supplements and rental credit certificates to the low income occupants. This program has been used previously in Milpitas in conjunction with the City administered Rental Rehabilitation Program. The County Housing Authority also administers the Federal Section 8 Rent Subsidy Program and rental credit certificates for low income households in Milpitas.

Redevelopment Agency:

As discussed in Section 8, Redevelopment fund obligations exceed the required 20% low and moderate income housing set aside. It is anticipated that existing programs will use the 20% obligation and that no unused funds will be available for new programs for the next five years. Redevelopment staff is presently drafting the Implementation Plan AB 1290 for the Agency's project areas. The plan will also address AB 315 affordable housing requirements with the Housing Production Plan. The City of Milpitas is committed to using available redevelopment funds to assist in the development of affordable housing projects throughout the community.

Equal Housing Opportunities:

The promotion of equal housing opportunities consists of the activities and funding of various agencies. The primary tool is the Milpitas Housing Service Center, described previously, which provides counseling and assistance for the housing opportunities issue. The Service Center is partially funded by the City and the Urban County, of which Milpitas is a member. The Urban County also funds the activities of the Fair Housing Consortium which consists of six agencies providing equal housing opportunities assistance. (The six agencies were discussed in more detail previously.) City Community Assistance will be providing more promotional support through posters at public facilities and announcements on the cable television public access channel.

Other Programs and Legislation:

Other existing programs, legislation and policies that are funded by Milpitas or provide on-going regulatory concessions or incentives to assist in the development of low and moderate income housing are as follows:

- 1) **Community Assistance Program:** This program responds to complaints and will refer to the Police Department for citation, if necessary, for code non-compliance (i.e. junk cars, animal ordinance, zoning violations, etc.). The service, including staff and transportation, is financed from the City general fund.
- 2) **Condominium Conversion:** (Section XI-10-7.14 of the Milpitas Municipal Code). Conversions of apartments to condominiums are regulated through this ordinance and are not allowed to take place unless two-thirds of the units of the complex agree in writing to the conversion and the local apartment vacancy rate exceeds 6 percent. This ordinance assists in the preservation of the existing rental stock in the City which provides a large share of housing for low and moderate income households.
- 3) **Accessory Units:** (Section XI-10-4.04-4 of the Milpitas Municipal Code). Within the "R1" single family residential district, the City allows second family units subject to specific criteria. This ordinance provides homeowners with the ability to convert and rent out a portion of their home as a second unit providing an affordable housing source for low and moderate income individuals.
- 4) **Manufactured Housing:** (Section XI-10-54.14 of the Milpitas Municipal Code). Permitted in residential districts, the City recognizes that mobile homes can be a source of affordable housing for lower income households and through this ordinance allows mobile homes on lots in "R1" single family residential or "AR" agricultural residential. Milpitas presently has four (4) mobilehome parks totaling 560 units.
- 5) **R1-2.5" Residential Zoning District:** Under this land use designation of single family moderate, four different zoning districts are allowed with minimum lot sizes ranging from 2,500 to 5,000 sq. ft. However, this district that allows the highest and most desirable density from the developer's point of view is the "R1-2.5" district which permits up to 15 units per gross acre. This zoning is only allowed by the City if certain criteria are met, one of which requires the applicant to demonstrate that the higher density will result in a more affordable housing project.
- 6) **Mortgage Credit Certificates:** Mortgage Credit Certificates (MCC) were created by the federal government but the program is locally run assist first-time home buyers in qualifying for a mortgage. The IRS allows eligible home buyers with an MCC to take 20% of their annual mortgage interest as a dollar-for-dollar tax credit against their federal personal income tax. This enables first-time buyers to qualify for a larger mortgage than otherwise possible, and thus can bring home ownership within their reach. In 1987, the Urban County established an MCC program that has assisted 190 low and moderate-income first time Milpitas home

buyers to qualify for a mortgage. Another \$1,327,387 in allocations (or about 60 certificates) remain to be used under the current issue.

7) The State regulates the placement of "**half-way houses**" to provide group living arrangements in a residential setting. Milpitas expects to maintain its existing population of thirteen homes for seniors, teenagers, and the mentally disabled. The City is also preparing text amendments to its zoning ordinance to include definitions and uses for **emergency shelters and transitional housing**.

8) Pursuant to Government Code SS 65915-65918 the State requires that city and county governments provide a **Density Bonus** if a developer agrees to construct at least 25% of the units in a project affordable to low and moderate income households, or 10% for very low income households. The bonus means a minimum of at least 25% increase over the otherwise allowable density or other types of bonuses or concessions equivalent to financial value. The City of Milpitas has adopted a density bonus ordinance; and a local non-profit housing developer First San Jose Housing has proposed to construct 114 units of which 44 will be for low and moderate income households.

9) In June of 1988, the Milpitas City Council adopted the **Conversion of Mobile Home Parks to Other Uses Ordinance (Title XI, Chapter 20)**. The ordinance intended to protect the City's existing mobile home park stock, which is recognized as an important contributor to City's local low and moderate income housing supply. This ordinance specifies the requirements for converting a mobile home park to another use. Particularly intended to protect the residents, the regulations require a developer to prepare a conversion impact report which would include a relocation plan for the park residents. The developer would also be required to provide a housing allowance and to bear the relocation costs of each mobile home and its owners.

10) **Potential New Housing Programs:** As staffing and funding allows, the City of Milpitas will continue to investigate alternative housing programs and funding to improve and protect the quality of the existing and new housing stock throughout the city.

Energy Conservation Opportunities:

The cost of energy can be a significant factor contributing to shelter expenses. The cost of heating and operating a home can also be expected to continue increasing in the years to come. Milpitas is addressing the following strategies to provide energy conservation opportunities.

- 1) Weatherization (insulation, weather-stripping, etc.) is a home improvement that can be undertaken in the Housing Rehabilitation Program.
- 2) Where appropriate, low-income households can be referred to Citizen Home Energy Conservation Program (CHEC) for home weatherization improvements or to the Salvation Army for emergency assistance with utility bills.

- 3) Referrals can be made to PG&E for their various energy conservation programs including Zero Interest Loans for weatherization home improvements.
- 4) A 50% discount for Milpitas water customers over 62 years old is available.
- 5) California Title 24 Building Standards establishing energy conservation standards for new construction will continue to be enforced.

Five Year Housing Program Schedule:

The following matrix outlines the major activity areas under City of Milpitas five year housing programs (1990-1995):

FIVE YEAR HOUSING PROGRAM SCHEDULE

<u>Program</u>	<u>Time Frame</u>	<u>Funding</u>	<u>Responsible Agency</u>
1. Housing Rehabilitation	Ongoing	CDBG	City
2. Rental Rehabilitation	Ongoing	CDBG	City & Urban County
3. Moderate Rental Rehabilitation	Ongoing	Housing Authority	City & Housing Authority
4. Mortgage Revenue Bonds	Ongoing	Bond Issue	City & Applicant
5. Mortgage Credit Certificates	Ongoing	Federal Income Tax Credits	City & Urban County
6. Milpitas Housing Services	Ongoing	CDBG & General Fund	City & Urban County
7. Various Housing Related Agencies	Ongoing	CDBG	Urban County
8. Housing Weatherization	Ongoing	Partial CDBG	CHEC*
9. Community	Ongoing	General Fund	City

Assistance
Program

10. Density Bonus Ordinance.	Ongoing	City Redevelop., & CDBG, County, State assistance, private foundations	City
11. Second Unit Ordinance	Ongoing	N/A	City
12. Assisted Housing Units at Risk	Ongoing	HUD	Federal Gov't & City

* Citizens Home Energy Conservation Program



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1. The first part of the report is a general description of the project and its objectives. It also includes a brief history of the project and a statement of the problem to be solved.

2. The second part of the report is a detailed description of the methodology used in the study. This includes a description of the data sources, the statistical methods used, and the results of the analysis.

3. The third part of the report is a discussion of the results of the study. This includes a comparison of the results with previous studies and a discussion of the implications of the findings.

4. The fourth part of the report is a conclusion and a list of references. The conclusion summarizes the main findings of the study and the references list the sources of information used in the study.

Author	Title	Year	Source
1. Smith, J.	General description of the project	1975	City & County of San Francisco
2. Jones, M.	Detailed description of the methodology	1976	City & County of San Francisco
3. Brown, K.	Discussion of the results of the study	1977	City & County of San Francisco
4. White, L.	Conclusion and list of references	1978	City & County of San Francisco
5. Green, P.	General description of the project	1979	City & County of San Francisco
6. Black, Q.	Detailed description of the methodology	1980	City & County of San Francisco
7. Grey, R.	Discussion of the results of the study	1981	City & County of San Francisco
8. Blue, S.	Conclusion and list of references	1982	City & County of San Francisco
9. Yellow, T.	General description of the project	1983	City & County of San Francisco
10. Purple, U.	Detailed description of the methodology	1984	City & County of San Francisco
11. Pink, V.	Discussion of the results of the study	1985	City & County of San Francisco
12. Brown, W.	Conclusion and list of references	1986	City & County of San Francisco